

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF MILAN, NEW MEXICO

**Financial Statements, Supplementary Information
and
Independent Auditors' Report**

June 30, 2009

VILLAGE OF MILAN, NEW MEXICO

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VILLAGE OF MILAN, NEW MEXICO

List of Principal Officials

June 30, 2009

Elected Officials

Tom Ortega	Mayor
Manuel Molina	Mayor Pro-Tem
Vivian Brumbelow	Trustee
Ellen Baca	Trustee
George Knotts	Trustee

Administrative Officials

Marcella Sandoval	Village Manager
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Independent Auditors' Report

Mr. Hector H. Balderas, State Auditor and
Mr. Tom Ortega, Mayor and
The Village Trustees
Village of Milan, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison of the general fund of the Village of Milan (Village), as of and for the year ended June 30, 2009, 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 presented as supplementary information in the accompanying combining and individual fund financial statements and schedules, and budgetary comparison statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph we conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

During the year ending June 30, 1998, the Village entered into an Arbitration and Partial Settlement Agreement (agreement) (as described in Note 15). The agreement transferred 17.41% ownership in the Wastewater Treatment facility (facility) to the Village. The agreement requires the Village to make payments to the City of Grants. These payments should be recalculated yearly based upon flow data from the Wastewater Treatment facility. As of the date of this audit the Village has not accounted for its ownership interest in the Wastewater Treatment facility, and the yearly payments have not been adjusted based upon the flow data. It was not practicable to extend our procedures sufficiently to determine if the Village should recognize net income or loss, additional capital assets or additional liabilities from its ownership in the Waste Water Treatment Facility.

Mr. Hector H. Balderas, State Auditor and
Mr. Tom Ortega, Mayor and
The Village Trustees
Village of Milan, New Mexico

Because of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the proprietary portion of the Statement of Net Assets and Statement of Activities, and the Balance Sheet, Statement of Revenues, Expenses and Changes in Fund Net Assets, Statement of Cash Flows and Statement of Revenues and Expenses – Budget and Actual which are related to the Joint Utility enterprise fund.

In our opinion, with the exception of the statements disclaimed above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2009, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for the nonmajor governmental funds of the Village, as of June 30, 2009, and the respective changes in financial position thereof, and the respective budgetary comparisons for the nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2010 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

For the year ended June 30, 2009, the Village has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Mr. Hector H. Balderas, State Auditor and
Mr. Tom Ortega, Mayor and
The Village Trustees
Village of Milan, New Mexico

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual financial statements and budgetary comparisons of the Village. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Perch & Associates LLC

Albuquerque, New Mexico
August 23, 2010

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,030,618	453,902	1,484,520
Investments	123	319,530	319,653
Receivables			
Taxes			
Property taxes	4,749	-	4,749
Gross receipts tax	305,228	3,348	308,576
Lodgers tax	702	-	702
Cigarette tax	937	-	937
Gasoline tax	31,567	-	31,567
Motor vehicle tax	2,906	-	2,906
Franchise tax	11,335	-	11,335
Intergovernmental	309,420	-	309,420
Other	97	-	97
Utility billing, net of allowance	-	224,586	224,586
Restricted cash	-	45,728	45,728
Capital reserve fund	-	110,000	110,000
Due from other funds	1,711,465	35,451	1,746,916
Capital assets, not depreciated	1,918,474	2,575,508	4,493,982
Capital assets, net of accumulated depreciation	4,142,421	4,191,806	8,334,227
Total assets	9,470,042	7,959,859	17,429,901
LIABILITIES			
Accounts payable	263,037	41,705	304,742
Accrued compensation and benefits	68,862	12,102	80,964
Gross receipts tax payable	-	6,526	6,526
Interest payable	-	11,716	11,716
Deposits payable	-	76,484	76,484
Due to other funds	-	1,747,444	1,747,444
Noncurrent liabilities:			
Compensated absences, due in one year	32,796	6,443	39,239
Long-term liabilities, due in one year	86,467	140,249	226,716
Long-term liabilities, due in more than one year	383,602	2,081,587	2,465,189
Total liabilities	834,764	4,124,256	4,959,020
NET ASSETS			
Invested in capital assets, net of related debt	5,590,826	4,545,478	10,136,304
Restricted for debt service	77,001	45,728	122,729
Unrestricted	2,967,451	(755,603)	2,211,848
Total net assets	\$ 8,635,278	3,835,603	12,470,881

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 970,403	106,499	46,997	-	(816,907)	-	(816,907)
Public safety	945,725	75,253	114,390	-	(756,082)	-	(756,082)
Highways and streets	318,016	-	-	275,000	(43,016)	-	(43,016)
Culture and recreation	485,946	-	-	321,750	(164,196)	-	(164,196)
Interest on long-term debt	20,639	-	-	-	(20,639)	-	(20,639)
Total governmental activities	<u>2,740,729</u>	<u>181,752</u>	<u>161,387</u>	<u>596,750</u>	<u>(1,800,840)</u>	<u>-</u>	<u>(1,800,840)</u>
Business-type activities							
Joint Utility	1,357,986	1,251,375	-	-	-	(106,611)	(106,611)
Total business-type activities	<u>1,357,986</u>	<u>1,251,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,611)</u>	<u>(106,611)</u>
Total primary government	<u>\$ 4,098,715</u>	<u>1,433,127</u>	<u>161,387</u>	<u>596,750</u>	<u>(1,800,840)</u>	<u>(106,611)</u>	<u>(1,907,451)</u>
General Revenues							
Franchise taxes					69,955	-	69,955
Gasoline taxes					188,096	-	188,096
Gross receipts taxes					1,903,393	-	1,903,393
Property taxes					249,148	-	249,148
Cigarette taxes					6,742	-	6,742
Lodgers tax					3,782	-	3,782
Miscellaneous					1,077	(6)	1,071
Donations					-	-	-
Rental income					18,588	-	18,588
Interest					24,530	6,816	31,346
Transfers in - general obligation appropriation					198,000	-	198,000
Transfers					894,189	(894,189)	-
Total general revenues and transfers					<u>3,557,500</u>	<u>(887,379)</u>	<u>2,670,121</u>
Change in net assets					<u>1,756,660</u>	<u>(993,990)</u>	<u>762,670</u>
Net assets, beginning of year					6,883,536	4,998,535	11,882,071
Restatement					(4,918)	(168,942)	(173,860)
Net assets, beginning of year					<u>6,878,618</u>	<u>4,829,593</u>	<u>11,708,211</u>
Net assets, end of year					<u>\$ 8,635,278</u>	<u>3,835,603</u>	<u>12,470,881</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MILAN, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Major		Nonmajor	Total
	General	Street Improvement	Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 493,901	137,790	398,927	1,030,618
Investments	-	-	123	123
Receivables				
Taxes				
Property tax	3,023	-	1,726	4,749
Gross receipts tax	305,228	-	-	305,228
Lodgers tax	-	-	702	702
Cigarette tax	624	-	313	937
Gasoline tax	-	-	31,567	31,567
Motor Vehicle tax	2,906	-	-	2,906
Franchise tax	11,335	-	-	11,335
Intergovernmental	259,420	50,000	-	309,420
Other	97	-	-	97
Due from other funds	691,141	1,257,261	131,552	2,079,954
Total assets	\$ 1,767,675	1,445,051	564,910	3,777,636
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 65,413	191,854	5,770	263,037
Accrued compensation and benefits	65,357	-	3,505	68,862
Due to other funds	15,607	234,624	118,258	368,489
Total liabilities	146,377	426,478	127,533	700,388
FUND BALANCES				
Unreserved, undesignated, reported in:				
General fund	1,621,298	-	-	1,621,298
Capital projects funds	-	1,018,573	8,784	1,027,357
Special revenue funds	-	-	351,592	351,592
Reserved for debt service	-	-	77,001	77,001
Total fund balances	1,621,298	1,018,573	437,377	3,077,248
Total liabilities and fund balances	\$ 1,767,675	1,445,051	564,910	3,777,636

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILAN, NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

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

Total fund balance - governmental funds	\$ 3,077,248
Accrued compensated absences not payable from current revenues.	(32,796)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	6,060,895
Long-term liabilities, including capital leases payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund.	<u>(470,069)</u>
Net assets - governmental activities	<u><u>\$ 8,635,278</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Major		Nonmajor	Total
	General	Street Improvement	Governmental Funds	
Revenues				
Taxes	\$ 2,148,007	-	273,109	2,421,116
Licenses, permits, fees and fines	106,499	-	75,253	181,752
Federal sources - Intergovernmental	133,476	50,000	-	183,476
Non-federal sources - Intergovernmental	235,271	225,000	114,390	574,661
Interest	22,457	305	1,768	24,530
Rents	18,588	-	-	18,588
Miscellaneous	600	-	477	1,077
Total revenues	2,664,898	275,305	464,997	3,405,200
Expenditures				
Current				
General government	921,710	-	2,780	924,490
Public safety	717,380	-	89,024	806,404
Highways and streets	-	133,307	139,734	273,041
Culture and recreation	453,236	-	-	453,236
Debt service - principal	-	-	81,288	81,288
Debt service - interest	-	-	20,639	20,639
Capital outlay	832,190	395,943	59,818	1,287,951
Total expenditures	2,924,516	529,250	393,283	3,847,049
(Deficiency) excess of revenues over expenditures before other financings sources	(259,618)	(253,945)	71,714	(441,849)
Other Financing Sources (Uses)				
Transfer in - general obligation tax appropriation	198,000	-	-	198,000
Operating transfers in	-	1,011,143	195,230	1,206,373
Operating transfers out	(201,750)	-	(110,434)	(312,184)
Total other financing sources (uses)	(3,750)	1,011,143	84,796	1,092,189
Net change in fund balances	(263,368)	757,198	156,510	650,340
Fund balance, beginning of year	1,884,666	908,426	730,703	3,523,795
Restatement	-	(647,051)	(449,836)	(1,096,887)
Fund balance, beginning of year	1,884,666	261,375	280,867	2,426,908
Fund balance, end of year	\$ 1,621,298	1,018,573	437,377	3,077,248

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILAN, NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

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

Net changes in fund balances - governmental funds **\$ 650,340**

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period

Depreciation expense	(270,387)	
Capital outlay	1,287,951	
Excess of capital outlay over depreciation expense		1,017,564

The repayment of the principal of long-term debt (including capital leases) consumes current financial resources of governmental funds		81,288
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Accrued compensated absences are expensed under the accrual method, and not the modified accrual method		7,468

Change in net assets - governmental activities **\$ 1,756,660**

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 1,917,800	1,917,800	2,115,485	197,685
Licenses, permits, fees and fines	61,550	61,550	106,499	44,949
Intergovernmental	35,000	35,000	307,327	272,327
Interest	20,000	20,000	22,457	2,457
Rents	9,600	9,600	18,588	8,988
Miscellaneous	27,500	27,500	601	(26,899)
Total revenues	2,071,450	2,071,450	2,570,957	499,507
Expenditures				
General government	1,207,203	1,162,557	864,645	297,912
Public safety	740,089	780,069	717,380	62,689
Culture and recreation	614,217	622,567	453,236	169,331
Debt service	190,000	190,000	-	190,000
Capital outlay	155,000	155,000	1,061,649	(906,649)
Total expenditures	2,906,509	2,910,193	3,096,910	(186,717)
(Deficiency) excess of revenues over expenditures	(835,059)	(838,743)	(525,953)	312,790
Other financing uses				
Operating transfers in	85,000	85,000	-	85,000
Operating transfers out	(205,414)	(205,414)	(201,750)	3,664
Total other financing uses	(120,414)	(120,414)	(201,750)	88,664
Net change in fund balance	(955,473)	(959,157)	(727,703)	401,454
Fund balance, beginning of year	1,884,666	1,884,666	1,884,666	-
Fund balance, end of year	\$ 929,193	925,509	1,156,963	401,454
Non-GAAP change in fund balance			\$ (727,703)	
Change in:				
Accounts receivable			291,941	
Accounts payable			189,047	
Accrued compensation and benefits			(16,653)	
GAAP change in fund balance			<u>\$ (263,368)</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILAN, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS - JOINT UTILITY
June 30, 2009

	Total
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 453,902
Investments	319,530
Accounts receivable	
Utility billing, net of allowance	224,586
Gross receipts taxes	3,348
Restricted cash	45,728
Capital reserve fund	110,000
Due from other funds	35,451
Total current assets	<u>1,192,545</u>
Capital assets, net of accumulated depreciation	6,767,314
Total assets	<u><u>\$ 7,959,859</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 41,705
Accrued compensation and benefits	12,102
Gross receipts tax payable	6,526
Interest payable	11,716
Deposits payable	76,484
Due to other funds	1,747,444
Compensated absences	6,443
Loans payable - current	140,249
Total current liabilities	<u>2,042,669</u>
Noncurrent Liabilities	
Loans payable	2,081,587
Total noncurrent liabilities	<u>2,081,587</u>
Total liabilities	<u>4,124,256</u>
Net Assets	
Invested in capital assets, net of related debt	4,545,478
Restricted for debt service	45,728
Unrestricted	(755,603)
Total net assets	<u>3,835,603</u>
Total liabilities and net assets	<u><u>\$ 7,959,859</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
Year Ended June 30, 2009**

	Total
Operating Revenues	
Sales and services	\$ 1,251,375
Operating Expenses	
Operating expenses	1,029,668
Depreciation	238,931
Total operating expenses	<u>1,268,599</u>
Operating Income	<u>(17,224)</u>
Nonoperating Revenues (Expenses)	
Interest income	6,816
Interest expense	(89,387)
Miscellaneous	(6)
Transfers in	17,347
Transfers out	(911,536)
Total nonoperating revenues (expenses)	<u>(976,766)</u>
Net income	(993,990)
Net assets, beginning of year	4,998,535
Restatement	(168,942)
Net assets, beginning of year	<u>4,829,593</u>
Net assets, end of year	<u>\$ 3,835,603</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2009

Cash Flows From Operating Activities	
Cash received from customers	\$ 1,223,397
Cash payments to vendors and employees	<u>(1,710,115)</u>
Net cash used by	
operating activities	<u>(486,718)</u>
Cash Flows From Noncapital and Related	
Financing Activities	
Miscellaneous revenue	(6)
Net change in deposits payable	18,649
Net change in due to/due from other funds	553,777
Operating transfers, net	<u>(894,189)</u>
Net cash used by noncapital	
financing activities	<u>(321,769)</u>
Cash Flows From Capital and Related	
Financing Activities	
Purchase of capital assets	(285,082)
Transfer capital assets to governmental funds	1,096,887
Principle payment on loans	(136,876)
Interest payment on loans and capital leases	(89,387)
Additions to capital reserve account	<u>(10,000)</u>
Net cash provided by capital and	
related financing activities	<u>575,542</u>
Cash Flows From Investing Activities	
Interest income	<u>3,080</u>
Net cash provided by	
investing activities	<u>3,080</u>
Net change in cash	(229,865)
Cash, beginning of year	<u>729,495</u>
Cash, end of year	<u><u>\$ 499,630</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2009**

Operating income	\$	(17,224)
Adjustments to reconcile operating income to net cash flows:		
Depreciation expense		238,931
Changes in assets and liabilities:		
Accounts receivable		(27,978)
Accounts payable		(669,799)
Accrued expenses		(8,878)
Compensated absences		(1,770)
Net cash used by operating activities	\$	(486,718)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
June 30, 2009

ASSETS

Cash	\$	4,485
Due from other funds		528
Total assets	\$	5,013

LIABILITIES

Due to other entities	\$	5,013
Total liabilities	\$	5,013

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Village of Milan, Inc. (Village) was incorporated under provisions of Chapter 3, Article 2, NMSA 1978. The Village operates under the Mayor-Trustee-Manager form of government and provides the following services as provided for by law: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public works, planning and zoning, economic development and general administrative services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

A. Financial Reporting Entity

As required by GAAP, the financial statements present the Village and entities for which the Village is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2009.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principle ongoing operations.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are recorded.

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

The Village follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

Imposed nonexchange revenues – property taxes are recognized in the period for which the taxes are levied, provided the available criteria are met.

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Village reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has legal claim to the resources, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The Village reports the following major governmental funds:

General Fund. The general fund is the Village’s primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Street Improvement. This capital project fund is used to account for costs associated with the improvements to Village streets. Funding is primarily through cooperative agreements with the state of New Mexico Highway and Transportation Department.

Proprietary funds are accounted for on the flow of economic resources measurement focus (all assets and all liabilities associated with the operation of these funds are included on the balance sheet) and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Village reports the following major enterprise fund:

Joint Utility. To account for the provision of water, waste water and solid waste services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance billing, and collection.

The Village reports the following fund types:

General Fund is the general operating fund of the Village. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important functions of the Village, including the Village's general services and administration, are accounted for in this fund.

Special Revenue Funds are used to account for revenues derived from specific sources, which are usually required by law or regulation to be accounted for in separate funds.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those constructed for proprietary funds.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Agency Funds are used to account for monies held by the Village in a custodial capacity on behalf of third parties or other agencies.

B. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, savings accounts and certificates of deposit with an original maturity of three months or less from the date of acquisition. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

The Village does not have an investment policy. Village funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

C. Capital Assets

Capital assets, which include software, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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.

Governmental Accounting Standards Board (GASB) 34 *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Village has elected not retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Capital Assets (Continued)

value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets in governmental funds are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Equipment	3 – 10 years
Vehicles	5 – 7 years
Infrastructure	50 years
Software	5 years

Capital Assets in proprietary funds are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Underground plant	30 – 33 ½ years
Buildings and other improvements	33 ½ years
Shared plant	30 years
Heavy equipment	15 years
Machinery and equipment	5 – 10 years
Wells	33 ½ years
Vehicles	5 – 8 years
Computers and software	3 – 5 years

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

D. Accrued Employee Benefits

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

**VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

E. Fund Equity

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Fund equity and net assets were reported as follows:

Debt Service - Amounts legally restricted for the payment of long-term debt.

Unreserved, undesignated - Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Village.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Budgetary Information

Actual amounts for the budgetary basis are prepared on the cash basis of accounting for governmental funds. The cash basis method recognizes revenues when received and expenditures when paid. Actual amounts for proprietary funds are prepared using the full accrual method. The full accrual method recognizes revenues when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Annual budgets are adopted for the general, special revenue, capital projects and enterprise funds.

The Village follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Administrator submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects fund and enterprise funds.
4. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year-end.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

K. Implementation of New Accounting Standards

During the year ended June 30, 2009, the Village adopted Government Accounting Standards Board Statement (GASB) No. 52, *Land and Other Real Estate Held as Investments by Endowments* (GASB 52). GASB 52 will not have a material impact on the Village's financial statements.

NOTE 2. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2009, the Village's bank balance total of \$1,658,015 was exposed to credit risk in the amount of \$1,018,090 as follows:

Uninsured and collateral held by pledging bank's trust department or agent but not in the Village's name	<u>\$ 1,018,090</u>
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Village is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$250,000 in FDIC coverage available to individual depositors. The Village is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

The Village does not have a deposit or investment policy. Village funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 2. CASH AND INVESTMENTS (Continued)

Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.

1. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.
2. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
3. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

Investments

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Village's investment in a single issuer. The Village has no formal policy limiting the amount of investments or deposits at any single institution or with any single issuer.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village does not have a policy for managing interest rate risk.

Investments held at the Bank of Albuquerque are invested in dollar denominated US Treasury funds. The funds invest in instruments with maturities of 90 days or less.

NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS

Accounts receivable represents billings for water, waste water and solid waste fees. It is management's policy to cut off water and waste water service for non-payment. A lien is placed on the properties which have outstanding water bills. Accounts receivable is comprised of the following at June 30, 2009:

Accounts receivable	\$ 264,586
Allowance for uncollectible accounts	<u>(40,000)</u>
	<u>\$ 224,586</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Transfers	Ending Balance
Governmental Activities						
Capital assets, not depreciated:						
Land	\$ 594,006	-	-	-	-	594,006
Construction in process	519,669	1,035,205	-	1,096,887	(1,327,293)	1,324,468
Total, not depreciated	\$ 1,113,675	1,035,205	-	1,096,887	(1,327,293)	1,918,474
Capital assets, depreciated:						
Buildings and improvements	\$ 3,837,234	-	-	-	-	3,837,234
Furniture, fixtures and equipment	1,007,754	-	-	-	-	1,007,754
Vehicles	480,652	59,818	(19,874)	-	-	520,596
Infrastructure	427,138	192,928	-	-	1,327,293	1,947,359
Total, depreciated	5,752,778	252,746	(19,874)	-	1,327,293	7,312,943
Accumulated depreciation for:						
Buildings and improvements	1,807,902	73,513	-	-	-	1,881,415
Furniture, fixtures and equipment	735,418	112,686	-	-	-	848,104
Vehicles	359,134	47,863	(19,874)	-	-	387,123
Infrastructure	17,555	36,325	-	-	-	53,880
Total accumulated depreciation	2,920,009	270,387	(19,874)	-	-	3,170,522
Total capital assets, depreciated, net	\$ 2,832,769	(17,641)	-	-	1,327,293	4,142,421
Total capital assets, net	\$ 3,946,444	1,017,564	-	1,096,887	-	6,060,895

Depreciation expense for governmental funds was charged to functions/programs of the government as follows:

General government	\$ 53,381
Public safety	139,321
Highways and streets	44,975
Culture and recreation	<u>32,710</u>
Total depreciation expense	\$ <u>270,387</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Transfers	Ending Balance
Business-type Activities						
Capital assets, not depreciated:						
Land	\$ 927,000	-	-	-	-	927,000
Water rights	1,413,000	-	-	-	-	1,413,000
Construction in process	2,125,186	265,492	-	(1,096,887)	(1,058,283)	235,508
Total, not depreciated	\$ 4,465,186	265,492	-	(1,096,887)	(1,058,283)	2,575,508
Capital assets, depreciated:						
Plant and system	\$ 6,784,029	-	-	-	1,058,283	7,842,312
Buildings and improvements	129,956	1,100	-	-	-	131,056
Furniture, fixtures and equipment	958,536	18,490	-	-	-	977,026
Total, depreciated	7,872,521	19,590	-	-	1,058,283	8,950,394
Accumulated depreciation for:						
Plant and system	3,896,377	191,306	-	-	-	4,087,683
Buildings and improvements	47,654	3,190	-	-	-	50,844
Furniture, fixtures and equipment	575,626	44,435	-	-	-	620,061
Total accumulated depreciation	4,519,657	238,931	-	-	-	4,758,588
Total capital assets, depreciated, net	\$ 3,352,864	(219,341)	-	-	1,058,283	4,191,806
Total capital assets, net	\$ 7,818,050	46,151	-	(1,096,887)	-	6,767,314

The adjustments shown above in the governmental and enterprise funds are caused by a prior period adjustment to allocate costs associated with water line, sewer line, and road improvements.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2009, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
General Obligation					
bonds	\$ 493,000	-	(70,000)	423,000	75,000
Notes payable	58,357	-	(11,288)	47,069	11,467
Compensated Absences	40,264	8,679	(16,147)	32,796	32,796
Total	<u>\$ 591,621</u>	<u>8,679</u>	<u>(97,435)</u>	<u>502,865</u>	<u>114,263</u>

General Obligation Bonds. The Village had general obligation bond series outstanding during the fiscal year ending June 30, 2009.

2002 General Obligation Refunding Bonds

On June 20, 2002, the Village Trustees approved Ordinance No. 193 authorizing the issuance of the Series 2002 General Obligation Refunding Bonds in an amount of \$690,000. The purpose of the issuance was to refund the callable portions of the Series 1992 G.O. Bonds and the callable portions of the Series 1994 G.O. Bonds (the “Refunded Bonds”).

The Series 2002 G.O. Refunding Bonds are payable in annual installments on August 1 and interest is payable on February 1 and August 1 at rates ranging from 1.97% to 4.52% per annum. The future requirements for bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 75,000	16,821	91,821
2011	80,000	13,572	93,572
2012	86,000	10,010	96,010
2013	92,000	6,106	98,106
2014	90,000	2,034	92,034
	<u>\$ 423,000</u>	<u>48,543</u>	<u>471,543</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS
(CONTINUED)

Notes Payable. The Village entered into a loan agreement with the New Mexico Finance Authority on August 16, 2002 wherein the Village pledged revenue derived from its annual State Fire Allotment to cover debt service. The revenue is subject to an intercept agreement. The proceeds from the note were used to purchase a fire pumper/tanker.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Term</u>
Purchase Fire Equipment	1.97 – 4.43%	\$ 112,631	10years

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Fees	Total
2010	\$ 11,467	723	118	12,308
2011	11,659	560	89	12,308
2012	11,863	386	60	12,309
2013	12,080	199	30	12,309
	<u>\$ 47,069</u>	<u>1,868</u>	<u>297</u>	<u>49,234</u>

Accrued Compensated Absences. Employees accrue either eight or ten hours per pay period depending on if the employee has been with the village less than or more than ten years, respectively. The maximum number of annual leave hours which may be accrued is 120 hours. Compensated absence balances have been liquidated with general fund money in prior years.

Village employees accrue vacation leave as follows:

Total Years of Village Service	Yearly Accumulation
0-10 (inclusive)	96 hours
11 - or more	120 hours

Defeased Debt – In prior years, the Village defeased their Series 2002 General Obligations Refunding Bonds by placing the proceeds of a new bond issued in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Village’s financial statements. As of June 30, 2009, \$690,000 of bonds outstanding are considered defeased.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2009, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Notes payable	\$ 2,358,712	-	(136,876)	2,221,836	140,249
Compensated absences	8,213	719	(2,489)	6,443	6,443
Total	\$ 2,366,925	719	(139,365)	2,228,279	146,692

Notes payable. The Village had two notes payable outstanding during the fiscal year ending June 30, 2009.

1. *Note Payable to the City of Grants*

In the year ended June 30, 1998, pursuant to an arbitration and partial settlement agreement, the Village agreed to purchase a 17.41% ownership interest in the wastewater treatment facility from the City of Grants. The purchase price was \$1,590,000. The Village paid \$850,000 at closing and is making monthly principal and interest payments of \$3,083. The note matures December 2018.

The future requirements for the note payable are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 22,126	14,874	37,000
2011	23,587	13,413	37,000
2012	25,144	11,856	37,000
2013	26,805	10,195	37,000
2014	28,574	8,426	37,000
2015 to 2018	115,706	13,794	129,500
	<u>\$ 241,942</u>	<u>72,558</u>	<u>314,500</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS (CONTINUED)

2. Note Payable to the New Mexico Finance Authority

The Village's Joint Utility has entered into a loan agreement pursuant to ordinance No. 200 dated August 4, 2003 between the Village and the New Mexico Finance Authority (NMFA). The proceeds of the note were used to acquire land and appurtenant water rights. The principal amount of the loan was \$2,583,926 of which \$2,400,000 was used to purchase the land and water rights, and \$183,926 was used to establish a reserve account. Interest is at 3.792%, which includes a 0.25% administrative fee for NMFA. Interest and principal payments are due May 1st and November 1st of each year. The note matures May 1, 2023. The loan is collateralized by the Village's gross receipt tax.

The future requirements for the note payable are as follows:

Year Ending June 30	Principal	Interest	Fees	Total
2010	\$ 118,123	70,913	4,950	193,986
2011	120,933	67,699	4,654	193,286
2012	125,229	64,133	4,352	193,714
2013	128,642	60,269	4,039	192,950
2014	133,526	56,146	3,717	193,389
2015 to 2019	720,875	209,039	13,387	943,301
2020 to 2023	632,476	65,650	4,005	702,131
	<u>\$ 1,979,804</u>	<u>593,849</u>	<u>39,104</u>	<u>2,612,757</u>

NOTE 7. CONTINGENT DEBT OBLIGATION

On June 1, 1993 the Village entered into a joint powers agreement to establish the Northwest New Mexico Solid Waste Authority (NWNMRSWA). The participants in the agreement are McKinley County, Cibola County, the City of Grants, the City of Gallup and the Village of Milan. NWNMRSWA's separately issued financial statements may be obtained from NWNMRSWA at P.O. Box 1330, Thoreau, New Mexico, 87323.

On May 18, 1995, the Village Trustees approved Ordinance 171 which authorized the execution and delivery of a loan agreement and intercept agreement by and between the Village and the New Mexico Finance Authority (NMFA), evidencing a special limited obligation of the Village to pay a principal amount not to exceed \$8,250,000 together with interest thereon, for the purpose of acquiring and constructing a solid waste disposal facility as a member of the NWNMRSWA.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 7. CONTINGENT DEBT OBLIGATION (CONTINUED)

On February 18, 1998, the Village Trustees approved Ordinance 177 which authorized the execution and delivery of a loan agreement and intercept agreement by and between the Village and NMFA, evidencing a special limited obligation of the Village to pay a principal amount not to exceed \$1,615,353 together with interest thereon, for the purpose of acquiring and constructing a solid waste disposal facility and refinancing certain lease purchase agreements, as a member of the NWNMRSWA.

Ordinance 194 was approved on November 21, 2002 by the Village Trustees, authorizing the execution and delivery of a loan agreement by and between the Village and the NMFA. The loan agreement called for the issuance of a limited obligation to refund the note approved above by Ordinance 171 as described above. The obligation amount authorized by Ordinance 194 was in the amount of \$5,600,000.

The debt obligations above are payable solely from the net revenues of NWNMRSWA as well as the Environmental Gross Receipts Tax Revenues imposed on the participating entities.

The NWNMRSWA has agreed to assist the Village in testing and monitoring the Village's closed solid waste disposal site. At June 30, 2009, the management of NWNMRSWA and the Village do not anticipate any additional significant liability to the Village for closure/post closure costs.

NOTE 8. INTERFUND OPERATING TRANSFERS

Interfund transfers for the year ended June 30, 2009 consisted of the following:

Transfers from the general fund to:

Nonmajor funds	\$ 195,230
Street improvement	<u>6,520</u>
Total transfers from the general fund	<u>\$ 201,750</u>

Transfers to the street improvement fund from:

Nonmajor funds	\$ 110,434
General fund	6,520
Joint utility fund	<u>894,189</u>
Total transfers to the general fund	<u>\$ 1,011,143</u>

Transfers from the joint utility fund to:

Street improvement fund	\$ 894,189
Internal transfers in the joint utility fund	<u>17,347</u>
Total transfers from the joint utility fund	<u>\$ 911,536</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 9. INTERFUND BALANCES

Interfund balances at June 30, 2009 consisted of the following amounts:

Due to general fund from:	
Street improvement fund	\$ 234,624
Joint utility fund	<u>456,517</u>
Total due to the general fund	<u>\$ 691,141</u>
Due from general fund to:	
Street improvement fund	<u>\$ 15,607</u>
Due to the street improvement fund from:	
General fund	\$ 15,607
Joint utility fund	<u>1,241,654</u>
Total due to the street improvement fund	<u>\$ 1,257,261</u>
Due from the street improvement fund to:	
General fund	<u>\$ 234,624</u>
Due to the joint utility fund from:	
Joint utility fund	<u>\$ 35,451</u>
Due from the joint utility to:	
General fund	\$ 456,517
Nonmajor Funds	13,822
Street improvement fund	1,241,654
Joint utility internal fund balance	<u>35,451</u>
Total due to the joint utility fund	<u>\$ 1,747,444</u>
Due to nonmajor funds from:	
Joint utility	\$ 13,822
Nonmajor funds	<u>117,730</u>
Total due to nonmajor funds	<u>\$ 131,552</u>
Due from nonmajor funds to:	
Agency funds	\$ 528
Nonmajor funds	<u>117,730</u>
Total due from nonmajor funds	<u>\$ 118,258</u>

The due to/due from balances have been caused by capital projects expenses being paid from incorrect funds.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 10. PROPERTY TAXES

Cibola County is responsible for assessing, collecting and distributing property taxes for the Village. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by May 10 of the following year. Property taxes are delinquent if not paid by December 10 and June 10. Taxes on real property are liened on January 1 of the year for which the taxes are imposed.

NOTE 11. PERA PENSION PLAN

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

Funding Policy. Plan members are required to contribute 7.00% (for police and regular employees) to 8.00% (for fire employees) of their gross salary and the Village is required to make a matching contribution of 7.00% for regular employees, 10.00% for police personnel, and 11.00% for fire personnel. The contribution requirements of plan members and the Village are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the years ending June 30, 2009, 2008, and 2007 were \$88,948, \$74,791, and, \$77,473, respectively, equal to the amount of the required contributions for each year.

NOTE 12. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents, with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 12. POST-EMPLOYMENT BENEFITS (CONTINUED)

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retirement Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the 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; and former legislators who served at least two years.

Fund Contributions: Each participating employer makes contributions to the fund in the amount of 7.675% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to 9.4% of the employee's annual salary. Employer and employee contributions will increase annually through the year 2011. Each participating retiree pays a monthly premium of \$94.08 for the basic single plan and an additional \$5.00 if eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 12. POST-EMPLOYMENT BENEFITS (CONTINUED)

The Retiree Health Care Authority issues a separate, publicly available audited financial report that included post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also included the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd N.E., Suite 104, Albuquerque, New Mexico 87107.

For the fiscal years ended June 30, 2009, 2008, and 2007, the Village remitted \$6,403, \$7,907 and \$12,789, respectively, in employer contributions to the Retiree Health Care Authority.

NOTE 13. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Village participates in the State of New Mexico Self-Insurers Fund for workers' compensation claims and employers' liability insurance including general, auto, uninsured motorist, law enforcement, and public official's errors and omissions liabilities. The policy limits for workers' compensation is unlimited and \$1,050,000 per occurrence for employer's liability. There is no deductible. Liability policy limits range from \$100,000 to \$750,000 per occurrence, with a \$4,000,000 annual aggregate per policy. Deductibles range from \$500 to \$5,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is reported in the General Long-Term Debt Account Group because it is not expected to be liquidated with expendable available financial resources.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 14. SPECIAL APPROPRIATIONS

The Village has received the following special appropriations:

	Original Appropriation	Expended	Appropriation Period
05-L-G-275			
Park improvements and equipment	\$ 50,000	36,768	2005 - 2010
There were no current year expenditure or receipts on this appropriation.			
07-L-G-3374			
Sprinkler system at the soccer fields	40,000	-	2007 - 2011
There were no current year expenditure or receipts on this appropriation.			
07-L-G-5124			
Multipurpose building	<u>200,000</u>	<u>198,000</u>	2007 - 2011
Total	<u>\$ 290,000</u>	<u>234,768</u>	

NOTE 15. ARBITRATION AGREEMENT AND PARTIAL SETTLEMENT WITH THE CITY OF GRANTS

The Village and the City of Grants entered into an Arbitration and Partial Settlement Agreement during the year ending June 30, 1998. The Village purchased a 17.41% interest in the Wastewater Treatment plant for \$1,590,000, including interest and charges. The parties agreed that the Village of Milan will pay for 17.41% of the existing debt on the Wastewater Treatment facility. The Village paid \$850,000 after signing the agreement and financed the remainder. The Village will make payments for 20 years starting January 10, 1998. The payment amount is \$3,083.34, or \$37,000 per year.

In addition to the payments for the debt, the City and Village agreed to share the costs of the following components of the plant and management of the Wastewater Treatment Plant:

1. Operation and management contract (OMI costs).
2. Electrical costs.
3. Capital reserve fund.

The Agreement stipulates the payments to be made each year beginning 1992/93 up to the end of the fiscal year 1998/99. The Agreement does not stipulate the payment amounts to be made after June 30, 1999, but gives a formula for calculating the payments.

**VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

**NOTE 15. ARBITRATION AGREEMENT AND PARTIAL SETTLEMENT
WITH THE CITY OF GRANTS (CONTINUED)**

Paragraph five of the agreement states:

“5. The parties agree that beginning with Fiscal Year 1998/99, the Village of Milan will pay the agreed upon operation and maintenance components of electrical costs and OMI costs based upon the following formula:

- a. The parties will each obtain a record of the Village of Milan monthly sewage flow for the period of January 1, 1997, through December 31, 1997. This record flow data will be obtained from two calibrated meters. The first meter is located at the main sewer trunk line where the Village of Milan sewage is placed into the City of Grants sewage flow. This meter is located approximately between the western boundary of the City of Grants, and the eastern boundary of the Village of Milan. The second meter is located at the Wastewater Plant. The calibration of the meter will be check by a third party. At this point in time, the parties agree upon the qualification of OMI to be the third party documenting the calibration of the two meters.
- b. The meter information will provide the Village of Milan percentage flow of sewage into the total amount of sewage treated by the Wastewater Treatment Plant Facility. The Village of Milan percentage will be applied towards the operation and maintenance costs for Fiscal Year 1998/99.

6. The parties agree that future calculations of the Village of Milan’s percentage of responsibility will be the same as outlined in paragraph 5 above.”

As of the date of this audit, the Village has not received the required flow data necessary to recalculate the payments. It is not practicable to determine if the Village overpaid or underpaid in the years after June 30, 1999. It is necessary to have the flow data in order to determine the payment the Village is required to make.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 16. CONTINGENCIES

Litigation. The Village is a defendant in a small number of lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Attorney, the resolution of these matters will not give a material adverse effect on the financial condition of the Village.

Grant Compliance. The Village receives significant financial assistance from the State and U.S. Government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable state and federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of June 30, 2009, management estimates that no material liabilities will result from such audits.

NOTE 17. DEFICIT FUND BALANCE

The Village had a deficit fund balance of \$51,581 in the Fire Protection Fund and \$2,854 in the Law Enforcement Protection fund. The cause of the deficit is unknown. Money will be transferred to the fund to increase the fund balance and eliminate the deficit.

NOTE 18. RESTATEMENT

Sewer line, water line, and road improvements were capitalized in the water utility fund in the prior year. These amounts should have been expensed in the general fund. This resulted in a prior period adjustment of \$(647,051) to the general fund, \$(449,836) to the street improvement fund, and \$(168,942) to the water utility fund. In addition, the statement of net assets has a \$4,918 restatement because the due to/due from balances on the 2008 financial statements did not balance.

VILLAGE OF MILAN, NEW MEXICO
NONMAJOR FUNDS
June 30, 2009

SPECIAL REVENUE FUNDS

Corrections. To establish an additional sources of funds for municipalities to offset the costs of corrections. The source of funds is a five-dollar fee which must be paid by all persons violating laws relating the operations of a motor vehicle. Authority is NMSA 33-9-3.

Fire Protection. To account for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. Authority is NMSA 59-A-53-1.

Law Enforcement Protection. To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Authority is NMSA 29-13-4.

Lodgers Tax Reserve. To account for lodgers tax collections. The tax is to be used for cultural and recreational activities. Authority is NMSA 3-38-14.

NMSA 7-12-15.

Street Fund. To account for funds used to maintain road for which the Village is responsible. Financing sources include gasoline taxes imposed by Chapter 7, Article 12, NMSA 1978 and distributed to the village pursuant to 7-1-6.9, NMSA 1978. Funding is also provided by the New Mexico State Highway Department's Cooperative Agreement Grant per 67-3-28, NMSA 1978. Expenditures are restricted for the purpose of construction, reconstruction, resurfacing and other improvements of public roads, streets, alleys and bridges, including right-of-way acquisition.

Recreation. To account for revenues and expenditures relating to village recreational facilities and programs. Financing is provided by the State. Such revenue provides for payment of all current operating costs and may be used for that purpose only. Authority is

CAPITAL PROJECT FUNDS

CDBG Planning Grant. This capital project fund is used to account for the revenues and expenditures from Community Development Block Grant funds.

DEBT SERVICE FUNDS

Debt Service. To accumulate monies for payment of principal and interest due on general obligation bonds. Financing is provided by a special tax levy approved by the voters.

**VILLAGE OF MILAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Special Revenue		
	Corrections	Fire Protection	Law Enforcement Protection
ASSETS			
Cash and cash equivalents	\$ 132,670	21,832	714
Investments	-	122	-
Receivables			
Taxes			
Property tax	-	-	-
Lodger's tax	-	-	-
Cigarette tax	-	-	-
Gasoline tax	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Total assets	\$ 132,670	21,954	714
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	-	-
Accrued compensation and benefits	-	-	-
Due to other funds	1,805	73,535	3,568
Total liabilities	1,805	73,535	3,568
FUND BALANCES			
Unreserved, undesignated, reported in:			
Capital projects funds	-	-	-
Special revenue funds	130,865	(51,581)	(2,854)
Reserved for debt service	-	-	-
Total fund balances	130,865	(51,581)	(2,854)
Total liabilities and fund balances	\$ 132,670	21,954	714

**VILLAGE OF MILAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Special Revenue		
	Lodgers Tax	Streets	Recreation
ASSETS			
Cash and cash equivalents	\$ 14,360	96,018	20,465
Investments	-	-	-
Receivables			
Taxes			
Property tax	-	-	-
Lodger's tax	702	-	-
Cigarette tax	-	-	313
Gasoline tax	-	31,567	-
Other	-	-	-
Due from other funds	831	130,721	-
Total assets	\$ 15,893	258,306	20,778
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	5,770	-
Accrued compensation and benefits	-	3,505	-
Due to other funds	-	49	10,491
Total liabilities	-	9,324	10,491
FUND BALANCES			
Unreserved, undesignated, reported in:			
Capital projects funds	-	-	-
Special revenue funds	15,893	248,982	10,287
Reserved for debt service	-	-	-
Total fund balances	15,893	248,982	10,287
Total liabilities and fund balances	\$ 15,893	258,306	20,778

**VILLAGE OF MILAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Total Special Revenue	<u>Capital Projects CDBG Planning Grant</u>	Debt Service
ASSETS			
Cash and cash equivalents	\$ 286,059	8,784	104,084
Investments	122	-	1
Receivables			
Taxes			
Property tax	-	-	1,726
Lodger's tax	702	-	-
Cigarette tax	313	-	-
Gasoline tax	31,567	-	-
Other	-	-	-
Due from other funds	131,552	-	-
Total assets	<u>\$ 450,315</u>	<u>8,784</u>	<u>105,811</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	5,770	-	-
Accrued compensation and benefits	3,505	-	-
Due to other funds	89,448	-	28,810
Total liabilities	<u>98,723</u>	<u>-</u>	<u>28,810</u>
FUND BALANCES			
Unreserved, undesignated, reported in:			
Capital projects funds	-	8,784	-
Special revenue funds	351,592	-	-
Reserved for debt service	-	-	77,001
Total fund balances	<u>351,592</u>	<u>8,784</u>	<u>77,001</u>
Total liabilities and fund balances	<u>\$ 450,315</u>	<u>8,784</u>	<u>105,811</u>

**VILLAGE OF MILAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Total Nonmajor
ASSETS	
Cash and cash equivalents	\$ 398,927
Investments	123
Receivables	
Taxes	
Property tax	1,726
Lodger's tax	702
Cigarette tax	313
Gasoline tax	31,567
Other	-
Due from other funds	131,552
Total assets	<u><u>\$ 564,910</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES	
Accounts payable	5,770
Accrued compensation and benefits	3,505
Due to other funds	118,258
Total liabilities	<u><u>127,533</u></u>

FUND BALANCES

Unreserved, undesignated, reported in:	
Capital projects funds	8,784
Special revenue funds	351,592
Reserved for debt service	77,001
Total fund balances	<u><u>437,377</u></u>
Total liabilities and fund balances	<u><u>\$ 564,910</u></u>

**VILLAGE OF MILAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2009**

	Special Revenue		
	Corrections	Fire Protection	Law Enforcement Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees and fines	75,253	-	-
From non-federal sources			
Intergovernmental	-	91,990	22,400
Interest	247	448	144
Miscellaneous	290	-	-
Total revenues	75,790	92,438	22,544
Expenditures			
Current			
General government	-	-	-
Public safety	25,766	63,253	5
Highways and streets	-	-	-
Debt service - principal	-	11,288	-
Debt service - interest	-	873	-
Capital outlay	-	37,995	21,823
Total expenditures	25,766	113,409	21,828
Excess of revenues over expenditures before other financing (uses) sources	50,024	(20,971)	716
Other Financing (Uses) Sources			
Operating transfers in	-	-	1,230
Operating transfers out	(60,000)	-	-
Total other financing (uses) sources	(60,000)	-	1,230
Net change in fund balances	(9,976)	(20,971)	1,946
Fund balance, beginning of year	140,841	(30,610)	(4,800)
Restatement	-	-	-
Fund balance, beginning of year	140,841	(30,610)	(4,800)
Fund balance, end of year	\$ 130,865	(51,581)	(2,854)

**VILLAGE OF MILAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2009**

	Special Revenue		
	Lodgers Tax	Streets	Recreation
Revenues			
Taxes	\$ 3,782	188,096	2,253
Licenses, permits, fees and fines	-	-	-
From non-federal sources			
Intergovernmental	-	-	-
Interest	118	657	153
Miscellaneous	-	187	-
Total revenues	3,900	188,940	2,406
Expenditures			
Current			
General government	1,628	-	-
Public safety	-	-	-
Highways and streets	-	139,734	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Capital outlay	-	-	-
Total expenditures	1,628	139,734	-
Excess of revenues over expenditures before other financing (uses) sources	2,272	49,206	2,406
Other Financing (Uses) Sources			
Operating transfers in	-	130,000	-
Operating transfers out	-	-	(10,000)
Total other financing (uses) sources	-	130,000	(10,000)
Net change in fund balances	2,272	179,206	(7,594)
Fund balance, beginning of year	13,621	69,776	17,881
Restatement	-	-	-
Fund balance, beginning of year	13,621	69,776	17,881
Fund balance, end of year	\$ 15,893	248,982	10,287

**VILLAGE OF MILAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2009**

	Total Special Revenue	Capital Projects CDBG Planning Grant	Debt Service
Revenues			
Taxes	\$ 194,131	-	78,978
Licenses, permits, fees and fines	75,253	-	-
From non-federal sources			
Intergovernmental	114,390	-	-
Interest	1,767	-	1
Miscellaneous	477	-	-
Total revenues	386,018	-	78,979
Expenditures			
Current			
General government	1,628	-	1,152
Public safety	89,024	-	-
Highways and streets	139,734	-	-
Debt service - principal	11,288	-	70,000
Debt service - interest	873	-	19,766
Capital outlay	59,818	-	-
Total expenditures	302,365	-	90,918
Excess of revenues over expenditures before other financing (uses) sources	83,653	-	(11,939)
Other Financing (Uses) Sources			
Operating transfers in	131,230	-	64,000
Operating transfers out	(70,000)	(434)	(40,000)
Total other financing (uses) sources	61,230	(434)	24,000
Net change in fund balances	144,883	(434)	12,061
Fund balance, beginning of year	206,709	459,054	64,940
Restatement	-	(449,836)	-
Fund balance, beginning of year	206,709	9,218	64,940
Fund balance, end of year	\$ 351,592	8,784	77,001

**VILLAGE OF MILAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2009**

	Total Non-major
Revenues	
Taxes	\$ 273,109
Licenses, permits, fees and fines	75,253
From non-federal sources	
Intergovernmental	114,390
Interest	1,768
Miscellaneous	477
	<hr/>
Total revenues	464,997
	<hr/>
Expenditures	
Current	
General government	2,780
Public safety	89,024
Highways and streets	139,734
Debt service - principal	81,288
Debt service - interest	20,639
Capital outlay	59,818
	<hr/>
Total expenditures	393,283
	<hr/>
Excess of revenues over expenditures before other financing (uses) sources	71,714
	<hr/>
Other Financing (Uses) Sources	
Operating transfers in	195,230
Operating transfers out	(110,434)
	<hr/>
Total other financing (uses) sources	84,796
	<hr/>
Net change in fund balances	156,510
Fund balance, beginning of year	730,703
Restatement	(449,836)
	<hr/>
Fund balance, beginning of year	280,867
	<hr/>
Fund balance, end of year	\$ 437,377
	<hr/> <hr/>

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees and fines	\$ 84,400	81,599	75,253	(6,346)
Interest	500	500	247	(253)
Miscellaneous	-	-	381	381
Total revenues	84,900	82,099	75,881	(6,218)
Expenditures				
Public safety	41,000	41,000	25,766	15,234
Total expenditures	41,000	41,000	25,766	15,234
Other financing sources				
Operating transfers out	(35,000)	(35,000)	(60,000)	(25,000)
Total other financing sources	(35,000)	(35,000)	(60,000)	(25,000)
Net change in fund balance	8,900	6,099	(9,885)	9,016
Fund balance, beginning of year	140,841	140,841	140,841	-
Fund balance, end of year	\$ 149,741	146,940	130,956	9,016
Non-GAAP change in fund balance			\$ (9,885)	
Change in:				
Accounts receivable			(91)	
GAAP change in fund balance			<u>\$ (9,976)</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Intergovernmental	\$ 80,143	80,143	91,990	11,847
Interest	400	400	448	48
Miscellaneous	1,000	1,000	-	(1,000)
Total revenues	81,543	81,543	92,438	10,895
Expenditures				
Public safety	71,543	71,543	63,386	8,157
Debt service - principal	-	-	11,288	(11,288)
Debt service - interest	-	-	873	(873)
Capital outlay	10,000	10,000	37,995	(27,995)
Total expenditures	81,543	81,543	113,542	(31,999)
Excess of revenues over expenditures	-	-	(21,104)	(21,104)
Net change in fund balance	-	-	(21,104)	(21,104)
Fund balance, beginning of year	(30,610)	(30,610)	(30,610)	-
Fund balance, end of year	(30,610)	(30,610)	(51,714)	(21,104)
Prior year cash appropriated	30,610	30,610	51,714	
	\$ -	-	-	
Non-GAAP change in fund balance			\$ (21,104)	
Change in:				
Accounts payable			133	
GAAP change in fund balance			<u>\$ (20,971)</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 22,400	22,400	22,400	-
Interest	-	-	144	144
Total revenues	22,400	22,400	22,544	144
Expenditures				
Public safety	-	-	5	(5)
Capital outlay	22,400	22,400	21,823	577
Total expenditures	22,400	22,400	21,828	572
Excess of revenues over expenditures	-	-	716	716
Other financing sources (uses)				
Operating transfers in	-	-	1,230	1,230
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	1,230	1,230
Net change in fund balance	-	-	1,946	1,946
Fund balance, beginning of year	(4,800)	(4,800)	(4,800)	-
Fund balance, end of year	(4,800)	(4,800)	(2,854)	1,946
Prior year cash appropriated	4,800	4,800	2,854	
\$	-	-	-	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LODGERS TAX
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,700	3,700	3,680	(20)
Interest	100	100	118	18
Total revenues	3,800	3,800	3,798	(2)
Expenditures				
General government	4,800	4,800	1,628	3,172
Total expenditures	4,800	4,800	1,628	3,172
Net change in fund balance	(1,000)	(1,000)	2,170	3,170
Fund balance, beginning of year	13,621	13,621	13,621	-
Fund balance, end of year	\$ 12,621	12,621	15,791	3,170
Non-GAAP change in fund balance			\$ 2,170	
Change in:				
Accounts receivable			102	
GAAP change in fund balance			<u>\$ 2,272</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREETS
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 220,000	220,000	193,629	(26,371)
Interest	500	500	657	157
Miscellaneous	400	400	187	(213)
Total revenues	220,900	220,900	194,473	(26,427)
Expenditures				
Highways and streets	265,316	250,316	142,232	108,084
Capital outlay	66,000	66,000	-	66,000
Total expenditures	331,316	316,316	142,232	174,084
Excess of revenues over expenditures	(110,416)	(95,416)	52,241	147,657
Other financing sources (uses)				
Operating transfers in	110,000	110,000	130,000	20,000
Operating transfers out	-	-	-	-
Total other financing sources (uses)	110,000	110,000	130,000	20,000
Net change in fund balance	(416)	14,584	182,241	167,657
Fund balance, beginning of year	69,776	69,776	69,776	-
Fund balance, end of year	\$ 69,360	84,360	252,017	167,657
Non-GAAP change in fund balance			\$ 182,241	
Change in:				
Accounts receivable			(5,533)	
Accounts payable			3,808	
Accrued compensation and benefits			(1,310)	
GAAP change in fund balance			<u>\$ 179,206</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,000	2,000	2,366	366
Interest	-	-	153	153
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>2,519</u>	<u>519</u>
Expenditures				
Culture and recreation	2,000	2,000	-	2,000
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Excess of revenues over expenditures	-	-	2,519	(1,481)
Other financing sources (uses)				
Operating transfers out	(10,000)	(10,000)	(10,000)	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	(10,000)	(10,000)	(7,481)	(1,481)
Fund balance, beginning of year	17,881	17,881	17,881	-
Fund balance, end of year	<u>\$ 7,881</u>	<u>7,881</u>	<u>10,400</u>	<u>(1,481)</u>
Non-GAAP change in fund balance			\$ (7,481)	
Change in:				
Accounts receivable			(113)	
GAAP change in fund balance			<u>\$ (7,594)</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CDBG PLANNING GRANT
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing sources				
Operating transfers out	-	-	(434)	(434)
Total other financing sources	-	-	(434)	(434)
Net change in fund balance	-	-	(434)	(434)
Fund balance, beginning of year	459,054	459,054	459,054	-
Restatement	(449,836)	(449,836)	(449,836)	
Fund balance, beginning of year	9,218	9,218	9,218	-
Fund balance, end of year	\$ 9,218	9,218	8,784	(434)

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 109,000	109,000	79,419	(29,581)
Interest	-	-	1	1
Total revenues	109,000	109,000	79,420	(29,580)
Expenditures				
General government	2,000	2,000	1,152	848
Debt service - principal	70,000	70,000	70,000	-
Debt service - interest	21,159	21,159	19,766	1,393
Total expenditures	93,159	93,159	90,918	2,241
Excess of revenues over expenditures	15,841	15,841	(11,498)	(27,339)
Other financing sources (uses)				
Operating transfers in	-	-	64,000	64,000
Operating transfers out	(40,000)	(40,000)	(40,000)	-
Total other financing sources (uses)	(40,000)	(40,000)	24,000	64,000
Net change in fund balance	(24,159)	(24,159)	12,502	36,661
Fund balance, beginning of year	64,940	64,940	64,940	-
Fund balance, end of year	\$ 40,781	40,781	77,442	36,661
Non-GAAP change in fund balance			\$ 12,502	
Change in:				
Accounts receivable			<u>(441)</u>	
GAAP change in fund balance			<u>\$ 12,061</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET IMPROVEMENT
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,748,942	2,364,368	790,426	(1,573,942)
Interest	22,000	-	305	305
Total revenues	1,770,942	2,364,368	790,731	(1,573,637)
Expenditures				
Highways and streets	2,426,356	3,039,579	135,840	2,903,739
Capital outlay	-	-	204,089	(204,089)
Total expenditures	2,426,356	3,039,579	339,929	2,699,650
Excess of revenues over expenditures	(655,414)	(675,211)	450,802	1,126,013
Other financing sources (uses)				
Operating transfers in	655,414	897,886	1,011,143	113,257
Operating transfers out	-	-	-	-
Total other financing sources (uses)	655,414	897,886	1,011,143	113,257
Net change in fund balance	-	222,675	1,461,945	1,239,270
Fund balance, beginning of year	908,426	908,426	908,426	-
Restatement	(647,051)	(647,051)	(647,051)	-
Fund balance, beginning of year	261,375	261,375	261,375	-
Fund balance, end of year	\$ 908,426	1,131,101	2,370,371	1,239,270
Non-GAAP change in fund balance			\$ 1,461,945	
Change in:				
Accounts receivable			(515,426)	
Accounts payable			(191,854)	
Accrued compensation and benefits			2,533	
GAAP change in fund balance			\$ 757,198	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
JOINT UTILITY
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales and services	\$ 1,606,500	1,606,500	1,251,375	(355,125)
Gross receipts tax	20,000	20,000	-	(20,000)
Intergovernmental	20,000	20,000	-	(20,000)
Interest	8,000	8,000	6,816	(1,184)
Miscellaneous	-	-	(6)	(6)
Total revenues	1,654,500	1,654,500	1,258,185	(396,315)
Expenses				
Operating	1,216,772	1,231,772	1,029,668	202,104
Capital outlay	99,501	99,501	-	99,501
Debt service - interest	-	-	89,387	(89,387)
Total expenditures	1,316,273	1,331,273	1,119,055	212,218
Excess of revenues over expenditures	338,227	323,227	139,130	(184,097)
Other financing sources (uses)				
Operating transfers in	-	-	17,347	17,347
Operating transfers out	(560,000)	(263,476)	(911,536)	(648,060)
Total other financing sources (uses)	(560,000)	(263,476)	(894,189)	(630,713)
Net change in net assets	(221,773)	59,751	(755,059)	(814,810)
Net assets, beginning of year	4,998,535	4,998,535	4,998,535	-
Restatement	(168,942)	(168,942)	(168,942)	-
Net assets, beginning of year	4,829,593	4,829,593	4,829,593	-
Net assets, end of year	\$ 4,607,820	4,889,344	4,074,534	(814,810)
Change in net assets above			(755,059)	
Expenses not budgeted:				
Depreciation			238,931	
Net income per the statement of revenues and expenses			<u>\$ (993,990)</u>	

VILLAGE OF MILAN, NEW MEXICO
AGENCY FUNDS
June 30, 2009

Police Bonds. To account for the receipt and disbursement of bond funds collected through the Municipal Judicial System and held for refund or conversion to pay fines and fees.

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
POLICE BONDS				
ASSETS				
Cash	\$ 5,549	38,357	39,421	4,485
Due from other funds	-	528	-	528
Total assets	\$ 5,549	38,885	39,421	5,013
LIABILITIES				
Deposits held in trust	\$ 5,549	38,885	39,421	5,013
Total liabilities	\$ 5,549	38,885	39,421	5,013

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2009

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Deposit Accounts				
Grants State Bank	General	Checking	\$ 136,785	2,710
Grants State Bank	Payroll	Checking	18,106	8,244
Grants State Bank	Correction	Checking	12,909	12,764
Grants State Bank	Fire Protection	Checking	6,337	5,778
Grants State Bank	Law Enforcement	Checking	714	714
Grants State Bank	Lodgers Tax	Checking	10,456	10,456
Grants State Bank	Street	Checking	65,816	65,280
Grants State Bank	Recreation	Checking	17,060	17,060
Grants State Bank	CDBG Planning	Checking	8,784	8,784
Grants State Bank	Co-Op Street	Checking	4,606	137,790
Grants State Bank	Joint Utility	Checking	33	8
Grants State Bank	Water Deposit	Checking	33,088	32,751
Grants State Bank	Savings - Fire Fund	Savings	16,054	16,054
Grants State Bank	Savings - General Fund	Savings	42,911	42,911
Grants State Bank	Savings - 1977 Debt Service	Savings	9,860	9,860
Grants State Bank	Savings - Enterprise Fund	Savings	124	124
First Community Bank	Operating - Pooled Cash	Checking	618,931	523,639
First Community Bank	Savings - fund 506	Savings	226	225
First Community Bank	Savings - fund 101	Savings	3,408	3,408
First Community Bank	Savings - fund 101	Savings	495,615	479,561
First Community Bank	Savings - fund 705	Savings	6,920	6,920
First Community Bank	Savings - fund 705	Savings	5,006	5,006
Wells Fargo Bank	GO Bonds	Checking	139,924	139,951
Total deposit accounts			1,653,673	1,529,998
Petty cash	General			100
Petty cash	Joint Utility Window		-	150
			1,653,673	1,530,248
Investment Accounts				
First Community Bank	Enterprise Fund CD	CD	60,000	60,000
Bank of Albuquerque	U.S. Treasury Money Market Fund	Investment	184,025	184,025
NM Finance Authority	U.S. Treasury Money Market Fund	Investment	122	122
NM Finance Authority	U.S. Treasury Money Market Fund	Investment	1	1
NM Finance Authority	U.S. Treasury Money Market Fund	Investment	75,505	75,505
Total investment accounts			319,653	319,653
Total deposit and investment accounts - non-agency			\$ 1,973,326	1,849,901
Agency funds cash accounts:				
Grants State Bank	Police Bonds	Checking	\$ 4,342	4,485

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2009

	Grants State Bank	First Community Bank	Wells Fargo Bank	Total
Deposits at June 30, 2009	\$ 387,985	1,130,105	139,925	1,658,015
Less: FDIC coverage	250,000	250,000	139,925	639,925
Uninsured public funds	137,985	880,105	-	1,018,090
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	1,485,000	500,000	-	1,985,000
Uninsured and uncollateralized	\$ -	-	-	-
50% pledged collateral requirement per statute	\$ 68,993	440,053	-	509,045
Total pledged collateral	1,485,000	500,000	-	1,985,000
Pledged collateral over the requirement	\$ (1,416,008)	(59,948)	-	(1,475,955)

Pledged collateral at June 30, 2009 consists of the following:

Security	CUSIP	Maturity	Market Value	Market Value	Market Value	Total
Belen Cons SD Noncall FR	077581KA3	8/1/2009	100,000	-	-	100,000
Otero Cnty Jail Bond Nonc FR	688868CQ9	8/1/2009	100,000	-	-	100,000
Lincoln Cnty Noncall FR	533277AH2	6/1/2010	50,000	-	-	50,000
Socorro SD Call FR	83368PAR7	8/1/2010	210,000	-	-	210,000
Bloomfield SD Call FR	094143AH7	10/1/2010	200,000	-	-	200,000
Hobbs SD Call FR	433866BS8	7/1/2012	100,000	-	-	100,000
Dona Ana Brh Comm Call FR	257578CG7	8/1/2012	150,000	-	-	150,000
Curry Cnty Call FR	231327BB2	8/1/2013	275,000	-	-	275,000
Gadsden ISD Call FR	362550JL0	8/15/2013	300,000	-	-	300,000
Portales NM Muni SD #1	736151CV1	1/15/2015	-	500,000	-	500,000
Total pledged collateral			\$ 1,485,000	500,000	-	1,985,000

The custodian of the pledged securities for Grants State Bank is Independent Bankers Bank, in Dallas, Texas.

The custodian of the pledged securities for First Community Bank is the Federal Home Loan Bank in Dallas, Texas.

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF JOINT POWERS AGREEMENTS
June 30, 2009

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Village	Amount contributed by Village during fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
Grants Airport	Village of Milan City of Grants	City of Grants	To provide for the management, operation, maintenance, improvement and financing of the Grants-Milan municipal airport	08/96 to indefinite	None	\$ 6,355	City of Grants	City of Grants
Animal Control	Village of Milan City of Grants	City of Grants	Collect and keep custody of animals	09/76 to indefinite	The Village will reimburse the City of Grants for 35% of net operating and maintenance costs	\$ 5,200	City of Grants	City of Grants
Rio San Jose Flood Control	Village of Milan Rio San Jose Flood Control Authority	Rio San Jose Flood Control Authority	To provide for administrative space, personnel, furniture, equipment and utilities for the operation of the District.	01/86 to indefinite	The Village provides 160 square feet of office space including utilities; the Village employs one person who is directed by the District. The District reimburses the Village for the salary and payroll costs.	\$ - The District reimburses the Village \$14,899	Rio San Jose Flood Control Authority	Rio San Jose Flood Control Authority
Wildlife Protection Activities	State of New Mexico Energy, Minerals and Natural Resources Department Village of Milan	State of New Mexico Energy, Minerals and Natural Resources Department	To provide a cooperative fire protection system covering any or all private, County, non-municipal, and State lands within or adjacent to the Village.	Indefinite	Payments are on a reimbursement basis.	\$ -	State of New Mexico Energy, Minerals and Natural Resources Department	State of New Mexico Energy, Minerals and Natural Resources Department
Northwest New Mexico Regional Solid Waste Authority	Village of Milan City of Grants City of Gallup County of McKinley Cibola County	Northwest New Mexico Regional Solid Waste Authority	To provide for the disposition of solid waste by establishing a modern solid waste disposal facilities.	05/06 to indefinite	The Village is required to contribute 50% of its Environmental Gross Receipts Tax.	\$ 23,215	Northwest New Mexico Regional Solid Waste Authority	Northwest New Mexico Regional Solid Waste Authority
Library	Village of Milan City of Grants City of Grants	City of Grants	Establishment of a library program	07/81 to indefinite	Contribute 20% of the yearly operating costs	\$ -	City of Grants	City of Grants
Senior Citizens Center	Village of Milan City of Grants County of Valencia	City of Grants	Establishment of a senior center	Unknown to indefinite	None	\$ 4,400	City of Grants	City of Grants
Mosquito Control	Village of Milan Cibola County	Cibola County	Mosquito Control	Unknown to indefinite	The Village is required to contribute 26% of the yearly operating costs	\$ 9,267	Cibola County	Cibola County
Prisoner Housing	Cibola County Village of Milan	Cibola County	To provide housing of municipal prisoners arrested by the Village and confined in the Cibola County Detention Center.	7/08 to 7/10	\$54 per day per inmate	\$ 17,765	Cibola County	Cibola County
Transit	Village of Milan City of Grants Cibola County	Cibola County	To jointly create and operate a municipal transit authority providing transportation between various points within the City, the Village, the County and surrounding areas.	9/06 to indefinite	The Village is required to contribute 15% of the yearly operating costs	\$ 15,589	Village of Milan	Village of Milan

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
3915 CARLISLE BLVD NE
ALBUQUERQUE, NM 87107

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Governmental Auditing Standards*

Mr. Hector H. Balderas, State Auditor and
Mr. Tom Ortega, Mayor and
The Village Trustees
Village of Milan, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and budgetary comparisons of the general fund, of the Village of Milan (Village), as of and for the year ended June 30, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 23, 2010. We also have audited the financial statements of each of the Village's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules, and budgetary comparisons, as of and for the year ended June 30, 2009, as listed in the table of contents. Our report expressed a disclaimer of opinion on the Statement of Net Assets, the Statement of Activities, the Balance Sheet – Proprietary Funds, the Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds, the Statement of Cash Flows and the Statement of Revenues and Expenses – Budget and Actual relative to the Joint Utility Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Mr. Hector H. Balderas, State Auditor and
Mr. Tom Ortega, Mayor and
The Village Trustees
Village of Milan, New Mexico

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 05-1, 05-2, 05-3, 05-4, 07-3, 07-5, 08-1, 08-2, and 09-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 are described in the accompanying schedule of findings and responses as items 08-1 and 08-2.

Mr. Hector H. Balderas, State Auditor and
Mr. Tom Ortega, Mayor and
The Village Trustees
Village of Milan, New Mexico

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

This report is intended solely for the information and use of the Village of Milan's management, Village Trustees, the New Mexico Legislature, the New Mexico Department of Finance and Administration and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Porch & Associates LLC

Albuquerque, New Mexico
August 23, 2010

VILLAGE OF MILAN, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

05-1	Cash Disbursements and Procurement	Updated and included
05-2	Payroll Disbursements	Updated and included
05-3	Joint Utility Billing	Updated and included
05-4	Disaster Recovery Plan and Golf Course	Updated and included Updated and included
07-5	Fund Accounting Related to Business- Type Activities	Updated and included
08-1	Late Audit Report	Updated and included
08-2	Excess of Expenditures over Authorized Budget	Updated and included

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS – FINANCIAL STATEMENTS AUDIT

05-1 Cash Disbursements and Procurement

CONDITION

We tested internal controls over 25 disbursements noted the following:

- One of the items tested had no invoice or supporting documentation for disbursement.
- Three of the items tested did not have an authorizing signature on the purchase requisition or voucher.
- One of the items tested had no had no purchase order or requisition.

We tested thirty five disbursements over \$30,000 for compliance with the procurement code and noted the following:

- For two of the disbursements tested the Village obtained three quotes but did not obtain competitive sealed bids. There was no documentation that the purchases were made as sole source procurement, emergency procurement, or made using existing contracts.

CRITERIA

- As per NMSA 13-1-102 all procurement shall be achieved by competitive sealed bid except procurement achieved pursuant to the procurement code for small purchases, sole source procurement, emergency procurement, existing contracts, or purchases from anti-poverty program business.

NMSA 13-1-125 defines small purchases as services, construction, or items of personal tangible property having a value not exceeding \$20,000.

- State Auditor Rule 2.2.2.10 I, and Section 12-6-5, NMSA 1978, requires good accounting practices to be followed. Support for transactions should be maintained.

EFFECT

- The Village could be denied grant reimbursements or future grant awards if the procurement code is not followed for expenditures of grant proceeds.
- Fraudulent Purchases could be made through purchase requisitions, and or voucher that were not properly approved

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

05-1 Cash Disbursements and Procurement (Continued)

CAUSE

- The Village lacks sufficient training on the procurement code.
- Inadequate review and approval of cash disbursements and payment processing.

RECOMMENDATION

- The Village should maintain supporting documentation for all transactions.
- The Village should consider obtaining training on the procurement code.

MANAGEMENT RESPONSE

The Village did obtain quotes from the only sources available in the Grants/Milan area; those being the 3 quotes referenced. We will advertise in the future.

All requisitions and/or vouchers are currently being approved in writing.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

05-2 Payroll Disbursements and PERA Processing and Reporting

CONDITION

As part of our audit we tested internal controls over 25 payroll disbursements. We noted the following:

- For three of the items tested the hours on the timecard did not match the hours paid, in total; the employees were paid an additional \$215.
- For four of the items tested we could not find evidence that the pay rate was authorized in personnel files.
- For three of the items tested the timecard was not approved.

In addition, we found that the salary expense per the trial balance does not tie to the salaries reported on the quarterly 941 reports.

CRITERIA

Timesheets should be reviewed to ensure hours are paid in accordance with what is presented on timesheets. All timesheets should have a supervisor's signature verifying that the timecard was reviewed and is correct. Good internal controls dictate that pay rate increases should not only be input into the payroll system, but should be documented in the employee's personnel file.

Internal Revenue Service Publication 15 (Circular E) defines amounts that are includable in taxable wages and amounts that are includable in total wages. Elective deferrals such as a retirement plan should not be included in Wages, tips, and other compensation but should be included in taxable social security wages.

EFFECT

Payroll errors may occur and not be caught by the internal controls in place. The result would be incorrect payroll expense and related leave accruals.

Wages were incorrectly reported to the Internal Revenue Service, which could result in fines and penalties for underpayment of federal taxes.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

05-2 Payroll Disbursements (Continued)

CAUSE

The Village has inadequate procedures over the maintenance of personnel files. There is insufficient review of payroll.

The Village does not have sufficient training in payroll tax reporting.

RECOMMENDATION

The Village should consider performing a personnel file audit in order to correct any deficiencies. It should also consider implementing procedures to ensure that the files are maintained.

The Village should consider reviewing payroll more thoroughly to ensure that errors in accrued leave, time cards, and payroll processing are caught and corrected before final checks are processed.

The Village should consider hiring a CPA firm or a payroll company to process their payroll tax reporting. The Town should also reconcile 941 reports to salary expense.

MANAGEMENT RESPONSE

The Village performed a personnel file audit in January 2010, and is currently in the process of performing one.

We have just undergone an IRS audit and the 941 reports were not an exception. We are in the process of getting clarification of our reports from Caselle to better explain the process when we have an audit.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

05-3 Joint Utility Billing

CONDITION

Adjustments to utility accounts receivable may be made without supervisory approval.

CRITERIA

Adjustments to accounts receivable should be reviewed and approved before they are entered into the system.

EFFECT

Payments on accounts receivable could be stolen and covered up in the accounts receivable system thru adjustments or by using a different person's ID.

CAUSE

The Village does not have a policy in place requiring approval of accounts receivable adjustments or the use of IDs.

RECOMMENDATION

The Village should consider using IDs for people making entries to the accounts receivable system. The Village should require review and approval of all accounts receivable adjustments.

MANAGEMENT RESPONSE

We have implemented a log where all adjustments are logged and approved. We have also removed the authority from every Caselle User other than the Manager to make any adjustments. At the time adjustments are made the manager gives temporary authority and oversees the corrections, then removes the authority upon completion. Caselle software does not have any way to issue specific user rights in the version we are currently using.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

05-4 Disaster Recovery Plan

CONDITION

The disaster recovery plan in place is inadequate for the size and operations of the Village. A disaster recovery plan should be a map for reestablishing operations after a disaster. This map should include details of, at minimum, the following:

- What hardware and software are in place and which vendors may be used to replace the hardware and software.
- Potential off-site locations for running operations.
- Names and telephone numbers of critical operations personnel that should be contacted during a disaster.
- Backup and recovery procedures for data.
- The location of the offsite data backups.
- A detailed list of instructions to be followed in order to reestablish operations.

CRITERIA

Section 12-6-5, NMSA 1978, requires the annual financial and compliance audit of agencies to detail any violation of law or good accounting practices found by the audit. An adequate disaster recover plan is a requirement for continuing operations after a disaster.

EFFECT

The Village may not be able to continue operations in the event of a disaster.

CAUSE

The Village had not developed a detailed disaster recovery plan.

RECOMMENDATION

We recommend that the Village prepare a detailed disaster recovery plan.

MANAGEMENT RESPONSE

The Village purchased a scanner and is in the process of scanning all permanent documents. A backup is monitored and preformed nightly. We have been in contact with the Finance Officer at Cibola County, who also process using Caselle software for a potential site for temporary running operations. The disaster recovery plan is still in process.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

07-5 Fund Accounting Related to Business-Type Activities

CONDITION

The Village accounts for both the water and sewer activities in a single fund. Expenses have not been separately tracked by business-type activity.

CRITERIA

Governmental Accounting Standards Board Statement 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus (GASB 37) paragraph 40 states:

Paragraph 39 of Statement 34 established *segments* as the minimum level of detail required in the government-wide statement of activities for activities accounted for in enterprise funds. The Board’s intent in Statement 34 was to “disaggregate” enterprise funds that include more than one significant activity, such as a fund that accounts for both water and electric utility, and to require separate reporting of those activities...

GASB 37 requires the Village to account the water and sewer activities in separate funds.

EFFECT

The Village does not have specific operating information for each identifiable activity. The Village cannot determine the extent of the net increase or decrease in net assets from each activity which means the Village cannot make fully informed management decisions.

CAUSE

The Village has not changed their business-type fund structure to be compliant with GASB 37.

RECOMMENDATION

The Village should separate the water and sewer activities into separate funds. This should include both the balance sheet and income statement.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

07-5 Fund Accounting Related to Business-Type Activities (Continued)

MANAGEMENT RESPONSE

With the assistance of the REDW Accounting firm, the Village has separated the water and sewer activities into separate funds.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

08-1 Late Audit Report

CONDITION

The June 30, 2009 audit report was not filed timely as required by State Auditor Rule NMAC 2.2.2.9.A. The audit report was submitted to the Office of the State Auditor on August 30, 2010.

CRITERIA

According to State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements are due by December 1 following the fiscal year-end, thus requiring the June 30, 2009 to be filed by December 1, 2009.

EFFECT

The Village is not in compliance with State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2009. The Village does not have audited financial statements for use in borrowing, bonds, and grant applications.

CAUSE

The books and records of the Village were not ready for audit until the 2010 year.

RECOMMENDATION

The Village should use an outside Independent Public Accountant to prepare for year-end audits.

MANAGEMENT RESPONSE

The Village contracted with REDW to assist in preparing for the FY 2009 audit, and is in the process of contracting with an Independent Public Accountant to come in on a monthly basis.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

08-2 Excess of Expenditures Over Authorized Budget

CONDITION

The Village's expenditures exceeded the authorized budget in the following funds:

- General fund by \$186,717
- Fire protection by \$31,999
- Recreation by \$1,481

CRITERIA

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

CAUSE

Insufficient budget tracking procedures.

EFFECT

The Village may not have precise information for planning the activities and cash flows in the funds that are over budget.

RECOMMENDATION

The Village should develop a process to ensure that funds do not exceed their budgets.

MANAGEMENT RESPONSE

Capital account expenditures were processed and transfers were not processed to cover those expenditures in a timely fashion. We are currently processing all required transfers as necessary on all projects.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

09-1 Travel and Per Diem Disbursements

CONDITION

We tested 12 travel and per diem disbursements as part of our audit. We noted the following:

- For five of the disbursements tested the per diem rate was calculated incorrectly. This resulted in overpayments of \$151 and underpayments of \$450.

CRITERIA

The Per Diem and Mileage Act (10-8-1 to 10-8-8, NMSA 1978) (Act) and corresponding Administrative Code govern the payment of travel and per diem expenses for the Village. The Act states the following:

- NMAC 2.42.2.8 outlines partial day per diem rates and per diem rates when overnight lodging is required.

EFFECT

The Village is not in compliance with the Travel and Per Diem Act. The Village may pay travel and per diem expenditures which are not authorized, or for the wrong amount.

CAUSE

Inadequate review and approval of travel vouchers and payment processing.

RECOMMENDATION

The Village should consider obtaining training on the Travel and Per Diem act. The Village should also consider reviewing travel and per diem processing more thoroughly to ensure that errors are caught and corrected before final checks are processed.

MANAGEMENT RESPONSE

We have pulled the travel and per diem act and are reviewing for accurate processing on every request.

**VILLAGE OF MILAN, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

An exit conference was held on August 26, 2010, and attended by the following:

Village of Milan, New Mexico

Vivian Brumbelow, Trustee
Marcella Sandoval, Village Administrator
Esther Barnes, Payroll Clerk and Human Resources

Porch & Associates LLC

Thad Porch, Partner

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The financial statements were prepared by Porch & Associates LLC from the books and records of the Village of Milan. However, the contents of these financial statements remain the responsibility of the Village's management.