

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF MILAN, NEW MEXICO

Financial Statements, Supplementary Information
and
Independent Auditors' Report

June 30, 2010

VILLAGE OF MILAN, NEW MEXICO

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VILLAGE OF MILAN, NEW MEXICO

List of Principal Officials

June 30, 2010

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, 2010, 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, 2010, 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, 2010, 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, 2010, 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 April 29, 2011 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, 2010, 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.

Porch & Associates LLC

Albuquerque, New Mexico
April 29, 2011

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,859,691	1,785	1,861,476
Investments	17	336,142	336,159
Receivables			
Taxes			
Property taxes	3,720	-	3,720
Gross receipts tax	360,686	3,731	364,417
Lodgers tax	865	-	865
Cigarette tax	1,137	-	1,137
Gasoline tax	35,301	-	35,301
Motor vehicle tax	2,675	-	2,675
Franchise tax	22,713	-	22,713
Intergovernmental	552,302	-	552,302
Other	97	-	97
Utility billing, net of allowance	-	234,985	234,985
Restricted cash	-	77,224	77,224
Capital reserve fund	-	120,000	120,000
Due from other funds	1,568,242	14,907	1,583,149
Capital assets, not depreciated	1,856,073	2,349,920	4,205,993
Capital assets, net of accumulated depreciation	5,168,900	4,227,267	9,396,167
Total assets	11,432,419	7,365,961	18,798,380
LIABILITIES			
Accounts payable	7,701	52,983	60,684
Accrued compensation and benefits	97,124	-	97,124
Gross receipts tax payable	-	5,504	5,504
Interest payable	-	11,283	11,283
Deposits payable	-	85,381	85,381
Due to other funds	-	1,583,820	1,583,820
Noncurrent liabilities:			
Compensated absences, due in one year	36,717	6,727	43,444
Long-term liabilities, due in one year	91,659	144,520	236,179
Long-term liabilities, due in more than one year	291,943	1,937,067	2,229,010
Total liabilities	525,144	3,827,285	4,352,429
NET ASSETS			
Invested in capital assets, net of related debt	6,641,371	4,495,600	11,136,971
Restricted for debt service	74,336	20,757	95,093
Unrestricted	4,191,568	(977,681)	3,213,887
Total net assets	\$ 10,907,275	3,538,676	14,445,951

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

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

<u>Functions/Programs</u>	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	\$ 1,051,716	77,995	81,676	-	(892,045)	-	(892,045)
Public safety	942,200	75,844	133,220	-	(733,136)	-	(733,136)
Highways and streets	290,664	-	100,000	1,532,424	1,341,760	-	1,341,760
Culture and recreation	418,567	-	-	-	(418,567)	-	(418,567)
Interest on long-term debt	17,544	-	-	-	(17,544)	-	(17,544)
Total governmental activities	<u>2,720,691</u>	<u>153,839</u>	<u>314,896</u>	<u>1,532,424</u>	<u>(719,532)</u>	<u>-</u>	<u>(719,532)</u>
Business-type activities							
Joint Utility	1,306,611	1,462,713	-	-	-	156,102	156,102
Total business-type activities	<u>1,306,611</u>	<u>1,462,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,102</u>	<u>156,102</u>
Total primary government	<u>\$ 4,027,302</u>	<u>1,616,552</u>	<u>314,896</u>	<u>1,532,424</u>	<u>(719,532)</u>	<u>156,102</u>	<u>(563,430)</u>
General Revenues							
Franchise taxes					103,637	-	103,637
Gasoline taxes					174,913	-	174,913
Gross receipts taxes					1,930,802	-	1,930,802
Property taxes					273,236	-	273,236
Cigarette taxes					6,658	-	6,658
Lodgers tax					3,822	-	3,822
Miscellaneous					10,073	373	10,446
Donations					-	-	-
Rental income					17,010	-	17,010
Interest					8,130	2,075	10,205
Transfers in - general obligation appropriation					7,771	-	7,771
Transfers					455,477	(455,477)	-
Total general revenues and transfers					<u>2,991,529</u>	<u>(453,029)</u>	<u>2,538,500</u>
Change in net assets					<u>2,271,997</u>	<u>(296,927)</u>	<u>1,975,070</u>
Net assets, beginning of year					<u>8,635,278</u>	<u>3,835,603</u>	<u>12,470,881</u>
Net assets, end of year					<u>\$ 10,907,275</u>	<u>3,538,676</u>	<u>14,445,951</u>

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

**VILLAGE OF MILAN, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Major		Nonmajor	Total
	General	Street Improvement	Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 1,258,180	298,243	303,268	1,859,691
Investments	-	-	17	17
Receivables				
Taxes				
Property tax	2,402	-	1,318	3,720
Gross receipts tax	360,686	-	-	360,686
Lodgers tax	-	-	865	865
Cigarette tax	757	-	380	1,137
Gasoline tax	-	-	35,301	35,301
Motor Vehicle tax	2,675	-	-	2,675
Franchise tax	22,713	-	-	22,713
Intergovernmental	16,756	485,546	50,000	552,302
Other	97	-	-	97
Due from other funds	822,148	739,763	127,577	1,689,488
Total assets	\$ 2,486,414	1,523,552	518,726	4,528,692
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,701	-	-	7,701
Accrued compensation and benefits	97,124	-	-	97,124
Due to other funds	-	-	121,246	121,246
Total liabilities	104,825	-	121,246	226,071
FUND BALANCES				
Unreserved, undesignated, reported in:				
General fund	2,381,589	-	-	2,381,589
Capital projects funds	-	1,523,552	50,457	1,574,009
Special revenue funds	-	-	272,687	272,687
Reserved for debt service	-	-	74,336	74,336
Total fund balances	2,381,589	1,523,552	397,480	4,302,621
Total liabilities and fund balances	\$ 2,486,414	1,523,552	518,726	4,528,692

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, 2010

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

Total fund balance - governmental funds	\$ 4,302,621
Accrued compensated absences not payable from current revenues.	(36,717)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	7,024,973
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>(383,602)</u>
Net assets - governmental activities	<u><u>\$ 10,907,275</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, 2010

	Major		Nonmajor	Total
	General	Street Improvement	Governmental Funds	
Revenues				
Taxes	\$ 2,221,998	-	271,070	2,493,068
Licenses, permits, fees and fines	77,995	-	75,844	153,839
Federal sources - Intergovernmental	-	158,550	100,000	258,550
Non-federal sources - Intergovernmental	349,848	1,105,702	133,220	1,588,770
Interest	4,805	2,194	1,131	8,130
Rents	17,010	-	-	17,010
Miscellaneous	9,449	-	624	10,073
Total revenues	2,681,105	1,266,446	581,889	4,529,440
Expenditures				
Current				
General government	1,004,056	-	1,544	1,005,600
Public safety	718,800	-	113,301	832,101
Highways and streets	11,198	-	243,924	255,122
Culture and recreation	392,718	-	-	392,718
Debt service - principal	-	-	86,467	86,467
Debt service - interest	-	-	17,544	17,544
Capital outlay	4,000	1,139,757	34,006	1,177,763
Total expenditures	2,130,772	1,139,757	496,786	3,767,315
(Deficiency) excess of revenues over expenditures before other financings sources	550,333	126,689	85,103	762,125
Other Financing Sources (Uses)				
Transfer in - general obligation tax appropriation	-	7,771	-	7,771
Operating transfers in	259,958	370,519	-	630,477
Operating transfers out	(50,000)	-	(125,000)	(175,000)
Total other financing sources (uses)	209,958	378,290	(125,000)	463,248
Net change in fund balances	760,291	504,979	(39,897)	1,225,373
Fund balance, beginning of year	1,621,298	1,018,573	437,377	3,077,248
Fund balance, end of year	\$ 2,381,589	1,523,552	397,480	4,302,621

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, 2010**

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

Net changes in fund balances - governmental funds **\$ 1,225,373**

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	(213,675)	
Capital outlay	1,177,753	
Excess of capital outlay over depreciation expense		964,078

The repayment of the principal of long-term debt (including capital leases) consumes current financial resources of governmental funds		86,467
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Accrued compensated absences are expensed under the accrual method, and not the modified accrual method		(3,921)
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Change in net assets - governmental activities **\$ 2,271,997**

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,053,215	2,053,215	2,288,115	234,900
Licenses, permits, fees and fines	57,800	57,800	77,995	20,195
Intergovernmental	35,000	35,000	592,512	557,512
Interest	18,000	18,000	4,805	(13,195)
Rents	-	-	17,010	17,010
Miscellaneous	362,550	365,190	9,449	(355,741)
Total revenues	2,526,565	2,529,205	2,989,886	460,681
Expenditures				
General government	1,237,465	1,240,105	1,093,535	146,570
Public safety	851,194	851,194	718,800	132,394
Highways and streets	310,590	310,590	11,198	299,392
Culture and recreation	523,809	523,809	392,718	131,091
Capital outlay	-	-	4,000	(4,000)
Total expenditures	2,923,058	2,925,698	2,220,251	705,447
(Deficiency) excess of revenues over expenditures	(396,493)	(396,493)	769,635	1,166,128
Other financing uses				
Operating transfers in	209,958	209,958	259,958	(50,000)
Operating transfers out	-	-	(50,000)	(50,000)
Total other financing uses	209,958	209,958	209,958	(100,000)
Net change in fund balance	(186,535)	(186,535)	979,593	1,066,128
Fund balance, beginning of year	1,621,298	1,621,298	1,621,298	-
Fund balance, end of year	\$ 1,434,763	1,434,763	2,600,891	1,066,128
Non-GAAP change in fund balance			\$ 979,593	
Change in:				
Accounts receivable			(308,781)	
Accounts payable			57,712	
Accrued compensation and benefits			31,767	
GAAP change in fund balance			<u>\$ 760,291</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, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,785
Investments	336,142
Accounts receivable	
Utility billing, net of allowance	234,985
Gross receipts taxes	3,731
Restricted cash	77,224
Capital reserve fund	120,000
Due from other funds	14,907
Total current assets	<u>788,774</u>
Capital assets, net of accumulated depreciation	6,577,187
Total assets	<u><u>\$ 7,365,961</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 52,983
Gross receipts tax payable	5,504
Interest payable	11,283
Deposits payable	85,381
Due to other funds	1,583,820
Compensated absences	6,727
Loans payable - current	144,520
Total current liabilities	<u>1,890,218</u>

Noncurrent Liabilities

Loans payable	1,937,067
Total noncurrent liabilities	<u>1,937,067</u>
Total liabilities	<u>3,827,285</u>

Net Assets

Invested in capital assets, net of related debt	4,495,600
Restricted for debt service	20,757
Unrestricted	(977,681)
Total net assets	<u>3,538,676</u>
Total liabilities and net assets	<u><u>\$ 7,365,961</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, 2010**

Operating Revenues	
Sales and services	\$ 1,462,713
Operating Expenses	
Operating expenses	968,749
Depreciation	252,508
Total operating expenses	<u>1,221,257</u>
Operating Income	<u>241,456</u>
Nonoperating Revenues (Expenses)	
Interest income	2,075
Interest expense	(85,354)
Miscellaneous	373
Transfers out	(455,477)
Total nonoperating revenues (expenses)	<u>(538,383)</u>
Net income	(296,927)
Net assets, beginning of year	<u>3,835,603</u>
Net assets, end of year	<u>\$ 3,538,676</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, 2010

Cash Flows From Operating Activities	
Cash received from customers	\$ 1,451,931
Cash payments to vendors and employees	(970,744)
Net cash provided by	
operating activities	<u>481,187</u>
Cash Flows From Noncapital and Related	
Financing Activities	
Miscellaneous revenue	373
Net change in deposits payable	8,897
Net change in due to/due from other funds	(143,080)
Operating transfers, net	(455,477)
Net cash used by noncapital	
financing activities	<u>(589,287)</u>
Cash Flows From Capital and Related	
Financing Activities	
Purchase of capital assets	(62,381)
Principle payment on loans	(140,249)
Interest payment on loans and capital leases	(85,354)
Additions to capital reserve account	(10,000)
Net cash provided by capital and	
related financing activities	<u>(297,984)</u>
Cash Flows From Investing Activities	
Transfers to debt service	(16,612)
Interest income	2,075
Net cash used by	
investing activities	<u>(14,537)</u>
Net change in cash	(420,621)
Cash, beginning of year	<u>499,630</u>
Cash, end of year	<u><u>\$ 79,009</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, 2010**

Operating income	\$ 241,456
Adjustments to reconcile operating income to net cash flows:	
Depreciation expense	252,508
Changes in assets and liabilities:	
Accounts receivable	(10,782)
Accounts payable	11,278
Accrued expenses	(13,557)
Compensated absences	284
Net cash provided by operating activities	<u><u>\$ 481,187</u></u>

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

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
June 30, 2010

ASSETS

Cash	\$	4,883
Due from other funds		671
Total assets	\$	5,554

LIABILITIES

Due to other entities	\$	5,554
Total liabilities	\$	5,554

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

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010.

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010**

**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, 2010**

**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, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

K. Implementation of New Accounting Standards

During the year ended June 30, 2010, the Village adopted Government Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), and GASB 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51). GASB 53 and GASB 51 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, 2010, the Village's bank balance total of \$2,612,632 was exposed to credit risk in the amount of \$1,999,938 as follows:

Uninsured and collateral held by pledging bank's trust department or agent but not in the Village's name	<u>\$ 1,999,938</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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2. CASH AND INVESTMENTS (Continued)

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 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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010:

Accounts receivable	\$ 259,495
Allowance for uncollectible accounts	<u>(24,510)</u>
	<u>\$ 234,985</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
Capital assets, not depreciated:					
Land	\$ 594,006	-	-	-	594,006
Construction in process	1,324,468	1,143,757	-	(1,206,158)	1,262,067
Total, not depreciated	\$ 1,918,474	1,143,757	-	(1,206,158)	1,856,073
Capital assets, depreciated:					
Buildings and improvements	\$ 3,837,234	16,181	-	-	3,853,415
Furniture, fixtures and equipment	1,007,754	-	-	-	1,007,754
Vehicles	520,596	17,824	-	-	538,420
Infrastructure	1,947,359	-	(9)	1,206,158	3,153,508
Total, depreciated	7,312,943	34,005	(9)	1,206,158	8,553,097
Accumulated depreciation for:					
Buildings and improvements	1,881,415	73,929	-	-	1,955,344
Furniture, fixtures and equipment	848,104	36,989	-	-	885,093
Vehicles	387,123	44,494	-	-	431,617
Infrastructure	53,880	58,263	-	-	112,143
Total accumulated depreciation	3,170,522	213,675	-	-	3,384,197
Total capital assets, depreciated, net	\$ 4,142,421	(179,670)	(9)	1,206,158	5,168,900
Total capital assets, net	\$ 6,060,895	964,087	(9)	-	7,024,973

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

General government	\$ 42,185
Public safety	110,099
Highways and streets	35,542
Culture and recreation	<u>25,849</u>
Total depreciation expense	\$ <u>213,675</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	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	235,508	62,381	-	(287,969)	9,920
Total, not depreciated	\$ 2,575,508	62,381	-	(287,969)	2,349,920
Capital assets, depreciated:					
Plant and system	\$ 7,842,312	-	-	287,969	8,130,281
Buildings and improvements	131,056	-	-	-	131,056
Furniture, fixtures and equipment	977,026	-	-	-	977,026
Total, depreciated	8,950,394	-	-	287,969	9,238,363
Accumulated depreciation for:					
Plant and system	4,087,683	205,061	-	-	4,292,744
Buildings and improvements	50,844	3,190	-	-	54,034
Furniture, fixtures and equipment	620,061	44,257	-	-	664,318
Total accumulated depreciation	4,758,588	252,508	-	-	5,011,096
Total capital assets, depreciated, net	\$ 4,191,806	(252,508)	-	287,969	4,227,267
Total capital assets, net	\$ 6,767,314	(190,127)	-	-	6,577,187

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2010, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
General Obligation					
bonds	\$ 423,000	-	(75,000)	348,000	80,000
Notes payable	47,069	-	(11,467)	35,602	11,659
Compensated Absences	32,796	12,732	(8,811)	36,717	36,717
Total	<u>\$ 502,865</u>	<u>12,732</u>	<u>(95,278)</u>	<u>420,319</u>	<u>128,376</u>

General Obligation Bonds. The Village had general obligation bond series outstanding during the fiscal year ending June 30, 2010:

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
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>\$ 348,000</u>	<u>31,722</u>	<u>379,722</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2011	\$ 11,659	560	89	12,308
2012	11,863	386	60	12,309
2013	12,080	199	30	12,309
	<u>\$ 35,602</u>	<u>1,145</u>	<u>179</u>	<u>36,926</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:

<u>Total Years</u> <u>of Village Service</u>	<u>Yearly</u> <u>Accumulation</u>
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, 2010, \$690,000 of bonds outstanding are considered defeased.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2010, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Notes payable	\$ 2,221,836	-	(140,249)	2,081,587	144,520
Compensated absences	6,443	2,075	(1,791)	6,727	6,727
Total	\$ 2,228,279	2,075	(142,040)	2,088,314	151,247

Notes payable. The Village had two notes payable outstanding during the fiscal year ending June 30, 2010:

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
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	30,461	6,539	37,000
2016 to 2018	85,335	7,165	92,500
	<u>\$ 219,906</u>	<u>57,594</u>	<u>277,500</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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
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	137,421	51,731	3,383	192,535
2016 to 2020	735,059	182,951	11,585	929,595
2021 to 2023	480,871	40,007	2,424	523,302
	<u>\$ 1,861,681</u>	<u>522,936</u>	<u>34,154</u>	<u>2,418,771</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, 2010

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, 2010, 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, 2010 consisted of the following:

Transfers to the general fund from:	
Nonmajor funds	\$ 125,000
Joint utility fund	<u>134,958</u>
Total transfers to the general fund	<u>\$ 259,958</u>
Transfers from the general fund to:	
Street improvement fund	<u>\$ 50,000</u>
Transfers to the street improvement fund from:	
General fund	\$ 50,000
Joint utility fund	<u>320,519</u>
Total transfers to the general fund	<u>\$ 370,519</u>

**VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 8. INTERFUND OPERATING TRANSFERS (CONTINUED)

Transfers from the joint utility fund to:	
General fund	\$ 134,958
Street improvement fund	<u>320,519</u>
Total transfers from the joint utility fund	<u>\$ 455,477</u>

NOTE 9. INTERFUND BALANCES

Interfund balances at June 30, 2010 consisted of the following amounts:

Due to general fund from:	
Nonmajor funds	\$ 121,246
Joint utility fund	<u>700,902</u>
Total due to the general fund	<u>\$ 822,148</u>

Due to the street improvement fund from:	
Joint utility fund	<u>\$ 739,763</u>

Due to the joint utility fund from:	
Joint utility fund	<u>\$ 14,907</u>

Due from the joint utility to:	
General fund	\$ 700,902
Nonmajor Funds	127,577
Street improvement fund	739,763
Agency	671
Joint utility internal fund balance	<u>14,907</u>
Total due to the joint utility fund	<u>\$ 1,583,820</u>

Due to nonmajor funds from:	
Joint utility	<u>\$ 127,577</u>

Due from nonmajor funds to:	
General fund	<u>\$ 121,246</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, 2010

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, 2010, 2009, and 2008 were \$84,852, \$88,948, and, \$74,791, respectively, equal to the amount of the required contributions for each year.

NOTE 12. POST-EMPLOYMENT BENEFITS

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

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 12. POST-EMPLOYMENT BENEFITS (CONTINUED)

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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; 3) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ending June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	0.833%
FY12	1.834%	0.917%
FY13	2.000%	1.000%

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 10. POST-EMPLOYMENT BENEFITS (CONTINUED)

For employees who are members of an enhanced retirement plan (state police and adult correctional officer plan 1; municipal police member plans 3, 4, and 5; municipal fire members coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of the two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Village's contributions to the RHCA for the fiscal years ended June 30, 2010, 2009 and 2008 were \$14,202, \$6,403, and \$7,907, respectively, which equal the required contributions for each year.

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, 2010**

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	44,539	2005 - 2010

The Village expended \$7,771 of this appropriation in the year June 30, 2010. The remainder of the appropriation has been reverted to the state.

The remainder of the Villages legislation appropriations have all been reverted to the state as of June 30, 2010.

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 pertain 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, 2010

**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, 2010

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, 2010, management estimates that no material liabilities will result from such audits.

NOTE 17. DEFICIT FUND BALANCE

The Village had a deficit fund balance of \$42,388 in the Fire Protection Fund and \$1,729 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.

VILLAGE OF MILAN, NEW MEXICO
NONMAJOR FUNDS
June 30, 2010

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, 2010**

	Special Revenue		
	Corrections	Fire Protection	Law Enforcement Protection
ASSETS			
Cash and cash equivalents	\$ 48,085	41,158	209
Investments	-	16	-
Receivables			
Taxes			
Property tax	-	-	-
Lodger's tax	-	-	-
Cigarette tax	-	-	-
Gasoline tax	-	-	-
Intergovernmental	-	-	-
Due from other funds	-	-	-
Total assets	\$ 48,085	41,174	209
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	1,805	83,562	1,938
Total liabilities	1,805	83,562	1,938
FUND BALANCES			
Unreserved, undesignated, reported in:			
Capital projects funds	-	-	-
Special revenue funds	46,280	(42,388)	(1,729)
Reserved for debt service	-	-	-
Total fund balances	46,280	(42,388)	(1,729)
Total liabilities and fund balances	\$ 48,085	41,174	209

**VILLAGE OF MILAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2010**

	Special Revenue		
	Lodgers Tax	Streets	Recreation
ASSETS			
Cash and cash equivalents	\$ 17,621	76,527	17,384
Investments	-	-	-
Receivables			
Taxes			
Property tax	-	-	-
Lodger's tax	865	-	-
Cigarette tax	-	-	380
Gasoline tax	-	35,301	-
Intergovernmental	-	-	-
Due from other funds	831	126,746	-
Total assets	\$ 19,317	238,574	17,764
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	-	-	5,131
Total liabilities	-	-	5,131
 FUND BALANCES			
Unreserved, undesignated, reported in:			
Capital projects funds	-	-	-
Special revenue funds	19,317	238,574	12,633
Reserved for debt service	-	-	-
Total fund balances	19,317	238,574	12,633
 Total liabilities and fund balances	\$ 19,317	238,574	17,764

VILLAGE OF MILAN, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2010

	Total Special Revenue	<u>Capital Projects CDBG Planning Grant</u>	Debt Service
ASSETS			
Cash and cash equivalents	\$ 200,984	457	101,827
Investments	16	-	1
Receivables			
Taxes			
Property tax	-	-	1,318
Lodger's tax	865	-	-
Cigarette tax	380	-	-
Gasoline tax	35,301	-	-
Intergovernmental	-	50,000	-
Due from other funds	127,577	-	-
Total assets	<u>\$ 365,123</u>	<u>50,457</u>	<u>103,146</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	92,436	-	28,810
Total liabilities	<u>92,436</u>	<u>-</u>	<u>28,810</u>
 FUND BALANCES			
Unreserved, undesignated, reported in:			
Capital projects funds	-	50,457	-
Special revenue funds	272,687	-	-
Reserved for debt service	-	-	74,336
Total fund balances	<u>272,687</u>	<u>50,457</u>	<u>74,336</u>
 Total liabilities and fund balances	 <u>\$ 365,123</u>	 <u>50,457</u>	 <u>103,146</u>

**VILLAGE OF MILAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2010**

	Total Nonmajor
ASSETS	
Cash and cash equivalents	\$ 303,268
Investments	17
Receivables	
Taxes	
Property tax	1,318
Lodger's tax	865
Cigarette tax	380
Gasoline tax	35,301
Intergovernmental	50,000
Due from other funds	127,577
Total assets	<u><u>\$ 518,726</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES	
Due to other funds	121,246
Total liabilities	<u>121,246</u>

FUND BALANCES

Unreserved, undesignated, reported in:	
Capital projects funds	50,457
Special revenue funds	272,687
Reserved for debt service	74,336
Total fund balances	<u>397,480</u>
Total liabilities and fund balances	<u><u>\$ 518,726</u></u>

**VILLAGE OF MILAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2010**

	Special Revenue		
	Corrections	Fire Protection	Law Enforcement Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees and fines	75,844	-	-
Federal sources - Intergovernmental	-	-	-
Non-federal sources - Intergovernmental	-	111,420	21,800
Interest	236	408	72
Miscellaneous	450	-	-
Total revenues	76,530	111,828	21,872
Expenditures			
Current			
General government	-	-	-
Public safety	36,115	74,264	2,922
Highways and streets	-	-	-
Debt service - principal	-	11,467	-
Debt service - interest	-	723	-
Capital outlay	-	16,181	17,825
Total expenditures	36,115	102,635	20,747
Excess of revenues over expenditures before other financing (uses) sources	40,415	9,193	1,125
Other Financing (Uses) Sources			
Operating transfers out	(125,000)	-	-
Total other financing (uses) sources	(125,000)	-	-
Net change in fund balances	(84,585)	9,193	1,125
Fund balance, beginning of year	130,865	(51,581)	(2,854)
Fund balance, end of year	\$ 46,280	(42,388)	(1,729)

**VILLAGE OF MILAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2010**

	Special Revenue		
	Lodgers Tax	Streets	Recreation
Revenues			
Taxes	\$ 3,822	174,913	2,225
Licenses, permits, fees and fines	-	-	-
Federal sources - Intergovernmental	-	-	-
Non-federal sources - Intergovernmental	-	-	-
Interest	84	210	121
Miscellaneous	-	66	-
Total revenues	3,906	175,189	2,346
Expenditures			
Current			
General government	482	-	-
Public safety	-	-	-
Highways and streets	-	185,597	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Capital outlay	-	-	-
Total expenditures	482	185,597	-
Excess of revenues over expenditures before other financing (uses) sources	3,424	(10,408)	2,346
Other Financing (Uses) Sources			
Operating transfers out	-	-	-
Total other financing (uses) sources	-	-	-
Net change in fund balances	3,424	(10,408)	2,346
Fund balance, beginning of year	15,893	248,982	10,287
Fund balance, end of year	\$ 19,317	238,574	12,633

**VILLAGE OF MILAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2010**

	Total Special Revenue	Capital Projects <u>CDBG Planning Grant</u>	Debt Service
Revenues			
Taxes	\$ 180,960	-	90,110
Licenses, permits, fees and fines	75,844	-	-
Federal sources - Intergovernmental	-	100,000	-
Non-federal sources - Intergovernmental	133,220	-	-
Interest	1,131	-	-
Miscellaneous	516	-	108
Total revenues	<u>391,671</u>	<u>100,000</u>	<u>90,218</u>
Expenditures			
Current			
General government	482	-	1,062
Public safety	113,301	-	-
Highways and streets	185,597	58,327	-
Debt service - principal	11,467	-	75,000
Debt service - interest	723	-	16,821
Capital outlay	34,006	-	-
Total expenditures	<u>345,576</u>	<u>58,327</u>	<u>92,883</u>
Excess of revenues over expenditures before other financing (uses) sources	<u>46,095</u>	<u>41,673</u>	<u>(2,665)</u>
Other Financing (Uses) Sources			
Operating transfers out	<u>(125,000)</u>	-	-
Total other financing (uses) sources	<u>(125,000)</u>	-	-
Net change in fund balances	(78,905)	41,673	(2,665)
Fund balance, beginning of year	<u>351,592</u>	<u>8,784</u>	<u>77,001</u>
Fund balance, end of year	<u>\$ 272,687</u>	<u>50,457</u>	<u>74,336</u>

**VILLAGE OF MILAN, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2010**

	Total Non-major
Revenues	
Taxes	\$ 271,070
Licenses, permits, fees and fines	75,844
Federal sources - Intergovernmental	100,000
Non-federal sources - Intergovernmental	133,220
Interest	1,131
Miscellaneous	624
Total revenues	<u>581,889</u>
Expenditures	
Current	
General government	1,544
Public safety	113,301
Highways and streets	243,924
Debt service - principal	86,467
Debt service - interest	17,544
Capital outlay	34,006
Total expenditures	<u>496,786</u>
Excess of revenues over expenditures before other financing (uses) sources	<u>85,103</u>
Other Financing (Uses) Sources	
Operating transfers out	<u>(125,000)</u>
Total other financing (uses) sources	<u>(125,000)</u>
Net change in fund balances	(39,897)
Fund balance, beginning of year	<u>437,377</u>
Fund balance, end of year	<u><u>\$ 397,480</u></u>

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees and fines	\$ 84,750	84,750	75,844	(8,906)
Interest	-	-	236	236
Miscellaneous	250	250	450	200
Total revenues	85,000	85,000	76,530	(8,470)
Expenditures				
Public safety	34,400	44,400	36,115	8,285
Total expenditures	34,400	44,400	36,115	8,285
Other financing sources				
Operating transfers out	(125,000)	(125,000)	(125,000)	-
Total other financing sources	(125,000)	(125,000)	(125,000)	-
Net change in fund balance	(74,400)	(84,400)	(84,585)	(185)
Fund balance, beginning of year	130,865	130,865	130,865	-
Fund balance, end of year	\$ 56,465	46,465	46,280	(185)

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Intergovernmental	\$ 99,234	121,065	111,420	(9,645)
Interest	-	-	408	408
Miscellaneous	400	400	-	(400)
Total revenues	99,634	121,465	111,828	(9,637)
Expenditures				
Public safety	99,234	121,065	74,264	46,801
Debt service - principal	-	-	11,467	(11,467)
Debt service - interest	-	-	723	(723)
Capital outlay	-	-	16,181	(16,181)
Total expenditures	99,234	121,065	102,635	18,430
Excess of revenues over expenditures	400	400	9,193	8,793
Net change in fund balance	400	400	9,193	8,793
Fund balance, beginning of year	(51,581)	(51,581)	(51,581)	-
Fund balance, end of year	(51,181)	(51,181)	(42,388)	8,793
Prior year cash appropriated	51,181	51,181	42,388	
\$	-	-	-	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 21,950	22,377	21,800	(577)
Interest	150	150	72	(78)
Total revenues	22,100	22,527	21,872	(655)
Expenditures				
Public safety	-	-	2,922	(2,922)
Capital outlay	21,800	22,377	17,825	4,552
Total expenditures	21,800	22,377	20,747	1,630
Net change in fund balance	300	150	1,125	975
Fund balance, beginning of year	(2,854)	(2,854)	(2,854)	-
Fund balance, end of year	(2,554)	(2,704)	(1,729)	975
Prior year cash appropriated	2,554	2,704	1,729	
\$	-	-	-	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LODGERS TAX
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,000	3,000	3,659	659
Interest	100	100	84	(16)
Total revenues	3,100	3,100	3,743	643
Expenditures				
General government	4,600	4,600	482	4,118
Total expenditures	4,600	4,600	482	4,118
Net change in fund balance	(1,500)	(1,500)	3,261	4,761
Fund balance, beginning of year	15,893	15,893	15,893	-
Fund balance, end of year	\$ 14,393	14,393	19,154	4,761
Non-GAAP change in fund balance			\$ 3,261	
Change in:				
Accounts receivable			163	
GAAP change in fund balance			<u>\$ 3,424</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREETS
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 210,000	210,000	171,179	(38,821)
Interest	500	500	210	(290)
Miscellaneous	-	-	66	66
Total revenues	210,500	210,500	171,455	(39,045)
Expenditures				
Highways and streets	251,233	251,233	194,872	56,361
Net change in fund balance	(40,733)	(40,733)	(23,417)	17,316
Fund balance, beginning of year	248,982	248,982	248,982	-
Fund balance, end of year	\$ 208,249	208,249	225,565	17,316
Non-GAAP change in fund balance			\$ (23,417)	
Change in:				
Accounts receivable			3,734	
Accounts payable			5,770	
Accrued compensation and benefits			3,505	
GAAP change in fund balance			<u>\$ (10,408)</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,600	2,600	2,158	(442)
Interest	100	100	121	21
Total revenues	2,700	2,700	2,279	(421)
Net change in fund balance	2,700	2,700	2,279	(421)
Fund balance, beginning of year	10,287	10,287	10,287	-
Fund balance, end of year	\$ 12,987	12,987	12,566	(421)
Non-GAAP change in fund balance			\$ 2,279	
Change in:				
Accounts receivable			<u>67</u>	
GAAP change in fund balance			<u>\$ 2,346</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$ 525,000	525,000	50,000	(475,000)
Total revenues	<u>525,000</u>	<u>525,000</u>	<u>50,000</u>	<u>(475,000)</u>
Expenditures				
Capital outlay	577,500	577,500	58,327	519,173
Total expenditures	<u>577,500</u>	<u>577,500</u>	<u>58,327</u>	<u>519,173</u>
Excess of revenues over expenditures	<u>(52,500)</u>	<u>(52,500)</u>	<u>(8,327)</u>	<u>44,173</u>
Other financing sources				
Operating transfers in	52,500	52,500	-	(52,500)
Total other financing sources	<u>52,500</u>	<u>52,500</u>	<u>-</u>	<u>(52,500)</u>
Net change in fund balance	-	-	(8,327)	(8,327)
Fund balance, beginning of year	<u>8,784</u>	<u>8,784</u>	<u>8,784</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 8,784</u></u>	<u><u>8,784</u></u>	<u><u>457</u></u>	<u><u>(8,327)</u></u>

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 130,000	130,000	90,518	(39,482)
Interest	-	-	108	108
Total revenues	130,000	130,000	90,626	(39,374)
Expenditures				
General government	1,100	1,100	1,062	38
Debt service - principal	93,000	93,000	75,000	18,000
Debt service - interest	17,000	17,000	16,821	179
Total expenditures	111,100	111,100	92,883	18,217
Net change in fund balance	18,900	18,900	(2,257)	(21,157)
Fund balance, beginning of year	77,001	77,001	77,001	-
Fund balance, end of year	\$ 95,901	95,901	74,744	(21,157)
Non-GAAP change in fund balance			\$ (2,257)	
Change in:				
Accounts receivable			(408)	
GAAP change in fund balance			<u>\$ (2,665)</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET IMPROVEMENT
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Intergovernmental	\$ 1,625,033	2,232,810	828,706	(1,404,104)
Interest	-	-	2,194	2,194
Total revenues	1,625,033	2,232,810	830,900	(1,401,910)
Expenditures				
Capital outlay	1,653,806	1,814,791	947,903	866,888
Excess of revenues over expenditures	(28,773)	418,019	(117,003)	(535,022)
Other financing sources				
Transfer in - general obligation tax appropriation	-	-	7,771	7,771
Operating transfers in	418,019	418,019	370,519	(47,500)
Total other financing sources	418,019	418,019	378,290	(39,729)
Net change in fund balance	389,246	836,038	261,287	(574,751)
Fund balance, beginning of year	1,018,573	1,018,573	1,018,573	-
Fund balance, end of year	\$ 1,407,819	1,854,611	1,279,860	(574,751)
Non-GAAP change in fund balance			\$ 261,287	
Change in:				
Accounts receivable			435,546	
Accounts payable			(191,854)	
GAAP change in fund balance			<u>\$ 504,979</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
JOINT UTILITY
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales and services	\$ 1,621,000	1,621,000	1,462,713	(158,287)
Interest	3,000	3,000	2,075	(925)
Miscellaneous	26,500	26,500	371	(26,129)
Total revenues	1,650,500	1,650,500	1,465,159	(185,341)
Expenses				
Operating	1,508,632	1,508,632	968,749	539,883
Capital outlay	-	-	62,381	(62,381)
Debt service - interest	-	-	85,354	(85,354)
Total expenditures	1,508,632	1,508,632	1,116,484	392,148
Excess of revenues over expenditures	141,868	141,868	348,675	206,807
Other financing uses				
Operating transfers out	(530,477)	(530,477)	(455,477)	75,000
Net change in net assets	(388,609)	(388,609)	(106,802)	281,807
Net assets, beginning of year	3,835,603	3,835,603	3,835,603	-
Net assets, end of year	\$ 3,446,994	3,446,994	3,728,801	281,807
Change in net assets above			(106,802)	
Expenses not budgeted:				
Purchase of capital assets			62,381	
Depreciation			252,508	
Net income per the statement of revenues and expenses			<u>\$ (296,929)</u>	

VILLAGE OF MILAN, NEW MEXICO
AGENCY FUNDS
June 30, 2010

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, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
POLICE BONDS				
ASSETS				
Cash	\$ 4,485	36,157	35,759	4,883
Due from other funds	528	143	-	671
Total assets	<u>\$ 5,013</u>	<u>36,300</u>	<u>35,759</u>	<u>5,554</u>
LIABILITIES				
Deposits held in trust	\$ 5,013	36,300	35,759	5,554
Total liabilities	<u>\$ 5,013</u>	<u>36,300</u>	<u>35,759</u>	<u>5,554</u>

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2010

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Deposit Accounts				
Grants State Bank	General	Checking	\$ 600,773	545,153
Grants State Bank	Payroll	Checking	18,235	18,235
Grants State Bank	Correction	Checking	49,360	48,085
Grants State Bank	Fire Protection	Checking	25,478	25,063
Grants State Bank	Law Enforcement	Checking	532	195
Grants State Bank	Lodgers Tax	Checking	13,717	13,717
Grants State Bank	Street	Checking	24,055	19,138
Grants State Bank	Recreation	Checking	17,384	17,384
Grants State Bank	CDBG Planning	Checking	457	457
Grants State Bank	Co-Op Street	Checking	827,065	298,243
Grants State Bank	Joint Utility	Checking	1,473	1,473
Grants State Bank	Water Deposit	Checking	44,372	44,135
Grants State Bank	Savings - General Fund	Savings	328,961	328,961
Grants State Bank	Savings - Fire Fund	Savings	16,095	16,095
Grants State Bank	Savings - 1977 Debt Service	Savings	9,889	9,889
Grants State Bank	Savings - Enterprise Fund	Savings	124	124
First Community Bank	Operating - Pooled Cash	Checking	443,839	426,163
First Community Bank	Savings - fund 705	Savings	13,246	13,246
Wells Fargo Bank	GO Bonds	Checking	112,694	112,694
Total deposit accounts			2,547,749	1,938,450
Petty cash	General			100
Petty cash	Joint Utility Window		-	150
			2,547,749	1,938,700
Investment Accounts				
First Community Bank	Enterprise Fund CD	CD	60,000	60,000
Bank of Albuquerque	U.S. Treasury Money Market Fund	Investment	184,245	184,245
NM Finance Authority	U.S. Treasury Money Market Fund	Investment	15	15
NM Finance Authority	U.S. Treasury Money Market Fund	Investment	1	1
NM Finance Authority	U.S. Treasury Money Market Fund	Investment	91,898	91,898
Total investment accounts			336,159	336,159
Total deposit and investment accounts - non-agency			\$ 2,883,908	2,274,859
Agency funds cash accounts:				
Grants State Bank	Police Bonds	Checking	\$ 4,883	4,883

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2010

	Grants State Bank	First Community Bank	Wells Fargo Bank	Total
Deposits at June 30, 2010	\$ 1,982,853	517,085	112,694	2,612,632
Less: FDIC coverage	250,000	250,000	112,694	612,694
Uninsured public funds	1,732,853	267,085	-	1,999,938
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	1,035,000	500,000	-	1,535,000
Uninsured and uncollateralized	\$ -	-	-	-
50% pledged collateral requirement per statute	\$ 866,427	133,543	-	999,969
Total pledged collateral	1,035,000	500,000	-	1,535,000
Pledged collateral over the requirement	\$ (168,574)	(366,458)	-	(535,031)

Pledged collateral at June 30, 2010 consists of the following:

Security	CUSIP	Maturity	Market Value	Market Value	Market Value	Total
Curry Cnty Call FR	231327BB2	8/1/2013	275,000	-	-	275,000
Dona Ana BRH Comm Coll Call	257578CG7	8/1/2012	150,000	-	-	150,000
Gadsden ISD Call FR	362550JL0	8/15/2013	300,000	-	-	300,000
Hobbs SD Call FR	433866BS8	7/1/2012	100,000	-	-	100,000
Socorro SD Call FR	83368PAR7	8/1/2010	210,000	-	-	210,000
Portales N Mex Mun SD #1 FSA	736151CV1	1/15/2015	-	500,000	-	500,000
Total pledged collateral			\$ 1,035,000	500,000	-	1,535,000

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, 2010

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	\$ 7,446	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 reimbursed the Village \$13,834	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.	\$ 23,740	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	\$ 4,000	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	\$ 18,799	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	\$ 27,702	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	\$ 10,230	Village of Milan	Village of Milan

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

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 financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and streets fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Village of Milan, New Mexico (Village), as of and for the year ended June 30, 2010, and have issued our report thereon dated April 29, 2011. 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 our 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.

A deficiency *in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis.

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies in internal control over financial reporting: 07-5. As *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as item 08-1.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. 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
April 29, 2011

VILLAGE OF MILAN, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

05-1	Cash Disbursements and Procurement	Resolved
05-2	Payroll Disbursements	Resolved
05-3	Joint Utility Billing	Resolved
05-4	Disaster Recovery Plan and Golf Course	Resolved
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	Resolved
09-1	Travel and Per Diem Disbursements	Resolved

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

FINDINGS – FINANCIAL STATEMENTS AUDIT

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, 2010**

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, which will be reflected in the 2011 audit.

**VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

08-1 Late Audit Report

CONDITION

The June 30, 2010 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, 2010 to be filed by December 1, 2010.

EFFECT

The Village is not in compliance with State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2010. The Village does not have audited financial statements for use in borrowing, bonds, and grant applications.

CAUSE

The auditor procured by the Village died during the audit. It was necessary for the Village to procure a second auditor and start the audit over.

RECOMMENDATION

None.

MANAGEMENT RESPONSE

The Village contracted with REDW to assist in preparing for the FY 2011 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
EXIT CONFERENCE
Year Ended June 30, 2010**

An exit conference was held on June 7, 2011, 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, Managing Principal

* * * * *

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.