

Village of Milan, New Mexico
Financial Statements, Supplementary Information
and
Independent Auditors' Report
June 30, 2012

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VILLAGE OF MILAN, NEW MEXICO

List of Principal Officials

June 30, 2012

Elected Officials

Tom Ortega	Mayor
Vivian Brumbelow	Mayor Pro-Tem
Ellen Baca	Trustee
George Knotts	Trustee
Helen Dayan	Trustee

Administrative Officials

Marcella Sandoval	Village Manager
Esther Barnes	Payroll Clerk and Human Resources

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, 2012, 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 comparisons as of and for the year ended June 30, 2012, 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 14). 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.

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, 2012, 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, 2012, 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 November 28, 2012 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.

The Village has omitted the Management's Discussion and Analysis that Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
November 28, 2012

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,105,056	\$ 1,119,454	\$ 3,224,510
Investments		337,531	337,531
Receivables			
Taxes			
Gross receipts tax	416,650	7,304	423,954
Gasoline tax	32,594		32,594
Utility billing, net of allowance		276,487	276,487
Restricted cash		61,450	61,450
Capital reserve fund		140,000	140,000
Capital assets, not depreciated	654,006	2,340,000	2,994,006
Capital assets, net of accumulated depreciation	<u>8,072,374</u>	<u>3,986,339</u>	<u>12,058,713</u>
Total assets	<u>11,280,680</u>	<u>8,268,565</u>	<u>19,549,245</u>
LIABILITIES			
Accounts payable	9,733		9,733
Accrued compensation and benefits	71,229	60,049	131,278
Gross receipts tax payable		14,553	14,553
Interest payable		10,689	10,689
Deposit payable		98,269	98,269
Non current liabilities:			
Compensated absences, due in one year	42,105	5,115	47,220
Long-term liabilities, due in one year	136,814	155,466	292,280
Long-term liabilities, due in more than one year	<u>383,423</u>	<u>1,631,158</u>	<u>2,014,581</u>
Total liabilities	<u>643,304</u>	<u>1,975,299</u>	<u>2,618,603</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,206,143	4,539,715	12,745,858
Restricted for debt service	134,081	35,678	169,759
Unrestricted	<u>2,297,152</u>	<u>1,717,873</u>	<u>4,015,025</u>
Total net assets	<u>\$ 10,637,376</u>	<u>\$ 6,293,266</u>	<u>\$ 16,930,642</u>

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

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Primary government:							
Governmental activities							
General government	\$ 1,079,493	\$ 69,992	\$ 62,878		\$ (946,623)		\$ (946,623)
Public safety	900,101	50,129	29,608		(820,364)		(820,364)
Highways and streets	414,468		288,058	\$ 527,570	401,160		401,160
Culture and recreation	527,599				(527,599)		(527,599)
Interest on long-term debt	10,396				(10,396)		(10,396)
Total government activities	<u>2,932,057</u>	<u>120,121</u>	<u>380,544</u>	<u>527,570</u>	<u>(1,903,822)</u>	<u>\$ 0</u>	<u>(1,903,822)</u>
Business-type activities:							
Joint Utilities	<u>1,354,179</u>	<u>1,766,052</u>				<u>411,873</u>	<u>411,873</u>
Total business-type activities	<u>1,354,179</u>	<u>1,766,052</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>411,873</u>	<u>411,873</u>
Total primary government	<u>\$ 4,286,236</u>	<u>\$ 1,886,173</u>	<u>\$ 380,544</u>	<u>\$ 527,570</u>	<u>\$ (1,903,822)</u>	<u>\$ 411,873</u>	<u>\$ (1,491,949)</u>
General Revenues:							
Franchise taxes					\$ 83,290		\$ 83,290
Gasoline taxes					200,896		200,896
Gross receipts taxes					1,910,681		1,910,681
Property taxes					317,162		317,162
Cigarette taxes					2		2
Lodgers tax					2,970		2,970
Miscellaneous					17,479		17,479
Rental income					26,412		26,412
Interest					3,194	\$ 925	4,119
Debt							
Transfers in - general obligation appropriation					386,791	2,253,168	2,639,959
Transfers					(2,561,067)	(73,464)	(2,634,531)
Total general revenues and transfers					<u>387,810</u>	<u>2,180,629</u>	<u>2,568,439</u>
Change in net assets					(1,516,012)	2,592,502	1,076,490
Net assets, beginning of year					<u>12,153,388</u>	<u>3,700,764</u>	<u>15,854,152</u>
Net assets - end of year					<u>\$ 10,637,376</u>	<u>\$ 6,293,266</u>	<u>\$ 16,930,642</u>

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

VILLAGE OF MILAN, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2012

	Major			Nonmajor Government al Fund	Total
	General	Fire Protection	Co-op Street Improvement		
ASSETS					
Cash and cash equivalents	\$ 1,350,811	\$ 32,258	\$ 279,494	\$ 442,493	\$ 2,105,056
Investments		1		2	3
Gross receipts tax	414,352			2,298	416,650
Gasoline tax				32,594	32,594
Due from other funds	<u>72,057</u>				<u>72,057</u>
Total assets	<u>1,837,220</u>	<u>32,259</u>	<u>279,494</u>	<u>477,387</u>	<u>2,626,360</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	9,733				9,733
Accrued compensation and benefits	70,485			744	71,229
Due to other funds	<u>70,514</u>			<u>1,543</u>	<u>72,057</u>
Total liabilities	<u>150,732</u>	<u>0</u>	<u>0</u>	<u>2,287</u>	<u>153,019</u>
FUND BALANCES					
Assigned for:					
General fund	1,686,488			74,799	1,761,287
Restricted for:					
Capital projects funds			279,494	72,220	351,714
Special revenue funds		32,259		194,000	226,259
Debt service				<u>134,081</u>	<u>134,081</u>
Total fund balances	<u>1,686,488</u>	<u>32,259</u>	<u>279,494</u>	<u>475,100</u>	<u>2,473,341</u>
Total liabilities and fund balances	<u>\$ 1,837,220</u>	<u>\$ 32,259</u>	<u>\$ 279,494</u>	<u>\$ 477,387</u>	<u>\$ 2,626,360</u>

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, 2012

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

Total fund balance - governmental funds	\$ 2,473,341
Accrued compensated absences not payable from current revenues	(42,105)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	8,726,380
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>(520,237)</u>
Net assets- government activities	<u>\$ 10,637,376</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, 2012

	Major		
	<u>General</u>	<u>Fire Protection</u>	<u>Co-op Street Improvement</u>
Revenues			
Taxes	\$ 2,209,923		
Licenses, permits, fees and fines	69,992		
Federal sources - Intergovernmental			
Non-federal sources - Intergovernmental	391,219	\$ 206,436	
Interest	2,109	9	\$ 903
Rent	26,412		
Miscellaneous	<u>146</u>	<u>55</u>	
Total revenues	<u>2,699,801</u>	<u>206,500</u>	<u>903</u>
Expenditures			
General government	1,026,866		
Public safety	749,519	51,313	
Highways and streets			
Culture and recreation	470,801		
Debt service - principal		11,863	
Debt service - interest		386	
Capital outlay	<u>375,989</u>	<u>493,569</u>	<u>379,902</u>
Total expenditures	<u>2,623,175</u>	<u>557,131</u>	<u>379,902</u>
(Deficiency) excess of revenues over expenditures before other financings sources	<u>76,626</u>	<u>(350,631)</u>	<u>(378,999)</u>
Other Financing Sources (Uses)			
Operating transfer in	78,658	88,857	105,644
Operating transfer out	(1,402,777)		(442,127)
Debt Proceeds		<u>326,157</u>	
Total other financing sources (uses)	<u>(1,324,119)</u>	<u>415,014</u>	<u>(336,483)</u>
Net change in fund balances	<u>(1,247,493)</u>	<u>64,383</u>	<u>(715,482)</u>
Fund balance, beginning of year	<u>2,933,981</u>	<u>(32,124)</u>	<u>994,976</u>
Fund balance, end of year	<u>\$ 1,686,488</u>	<u>\$ 32,259</u>	<u>\$ 279,494</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, 2012

	Nonmajor Governmental Fund	Total
	<u> </u>	<u> </u>
Revenues		
Taxes	\$ 305,077	\$ 2,515,000
Licenses, permits, fees and fines	50,154	120,146
Federal sources - Intergovernmental	288,062	288,062
Non-federal sources - Intergovernmental	39,351	637,006
Interest	173	3,194
Rent		26,412
Miscellaneous	<u>300</u>	<u>501</u>
Total revenues	<u>683,117</u>	<u>3,590,321</u>
Expenditures		
General government	1,922	1,028,788
Public safety	24,663	825,495
Highways and streets	312,353	312,353
Culture and recreation		470,801
Debt service - principal	86,000	97,863
Debt service - interest	10,010	10,396
Capital outlay	<u>31,738</u>	<u>1,281,198</u>
Total expenditures	<u>466,686</u>	<u>4,026,894</u>
(Deficiency) excess of revenues over expenditures before other financings sources	<u>216,431</u>	<u>(436,573)</u>
Other Financing Sources (Uses)		
Operating transfer in	113,632	386,791
Operating transfer out	(716,163)	(2,561,067)
Debt Proceeds		<u>326,157</u>
Total other financing sources (uses)	<u>(602,531)</u>	<u>(1,848,119)</u>
Net change in fund balances	<u>(386,100)</u>	<u>(2,284,692)</u>
Fund balance, beginning of year	<u>861,200</u>	<u>4,758,033</u>
Fund balance, end of year	<u>\$ 475,100</u>	<u>\$ 2,473,341</u>

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, 2012

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

Net changes in fund balances - governmental funds \$ (2,284,692)

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	\$ (285,804)	
Capital outlay	<u>1,281,198</u>	
Excess of capital outlay over depreciation expense		995,394

The repayment of the principal of long-term debt (including capital leases) consumes current financial resources of governmental funds		97,863
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Accrued compensated absences are expensed under the accrual method, and not the modified accrual method		1,580
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Revenue in the Statement of activities that do not provide current financial resources are reported as revenues in the funds:

Proceeds from debts		<u>(326,157)</u>
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Change in net assets - governmental activities \$ (1,516,012)

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 2,270,499	\$ 2,270,499	\$ 1,798,923	\$ (471,576)
Licenses, permits, fees and fine	62,450	62,450	66,639	4,189
Intergovernmental	419,087	419,087	391,220	(27,867)
Interest	3,500	3,500	2,109	(1,391)
Rent	30,000	30,000	26,412	(3,588)
Miscellaneous	<u>550</u>	<u>550</u>	<u>146</u>	<u>(404)</u>
Total revenues	<u>2,786,086</u>	<u>2,786,086</u>	<u>2,285,449</u>	<u>(500,637)</u>
Expenditures				
General government	1,391,754	1,504,854	1,017,314	487,540
Public safety	894,305	921,505	754,298	167,207
Culture and recreation	547,702	551,602	464,481	87,121
Debt service - principal	126,000			
Debt service - interest	63,500			
Capital outlay	<u>167,100</u>	<u>200,775</u>	<u>353,758</u>	<u>(152,983)</u>
Total expenditures	<u>3,190,361</u>	<u>3,178,736</u>	<u>2,589,851</u>	<u>588,885</u>
Excess of revenues over expenditures	<u>(404,275)</u>	<u>(392,650)</u>	<u>(304,402)</u>	<u>88,248</u>
Other financing sources (uses):				
Operating transfers in			38,132	38,132
Operating transfers out	<u>10,000</u>	<u>(10,000)</u>	<u>(1,402,767)</u>	<u>(1,392,767)</u>
Total other financing uses	<u>10,000</u>	<u>(10,000)</u>	<u>(1,364,635)</u>	<u>(1,354,635)</u>
Net changes in fund balances	(394,275)	(402,650)	(1,669,037)	(1,266,387)
Fund balance, beginning of year	<u>1,042,113</u>	<u>1,137,519</u>	<u>3,153,282</u>	<u>2,015,763</u>
Fund balance, end of year	<u>\$ 647,838</u>	<u>\$ 734,869</u>	<u>1,484,245</u>	<u>\$ 749,376</u>
Non-GAAP change in fund balance			(1,669,037)	
Change in:				
Accounts receivable			454,878	
Accounts payable			<u>(33,334)</u>	
GAAP change in fund balance			<u>\$ (1,247,493)</u>	

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)
FIRE PROTECTION
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 96,779	\$ 206,436	\$ 206,436	
Interest	300		9	\$ 9
Miscellaneous			55	55
Total revenues	<u>97,079</u>	<u>206,436</u>	<u>206,500</u>	<u>64</u>
Expenditures				
Public safety	83,329	91,815	51,313	40,502
Debt service - principal	12,500	12,288	11,863	425
Debt service - interest		195	386	(191)
Capital outlay	<u>53,451</u>	<u>158,854</u>	<u>493,569</u>	<u>(334,715)</u>
Total Expenditures	<u>149,280</u>	<u>263,152</u>	<u>557,131</u>	<u>(293,979)</u>
Excess of revenues over expenditures	<u>(52,201)</u>	<u>(56,716)</u>	<u>(350,631)</u>	<u>(293,915)</u>
Other financing sources				
Debt Proceeds			326,157	326,157
Operating transfers in	<u>52,201</u>	<u>56,716</u>	<u>88,857</u>	<u>32,141</u>
Total other financing sources	<u>52,201</u>	<u>56,716</u>	<u>415,014</u>	<u>358,298</u>
Net change in fund balance			64,383	64,383
Fund balance, beginning of year	<u>(51,181)</u>	<u>(92,339)</u>	<u>(32,124)</u>	<u>60,215</u>
Fund balance, end of year	<u><u>\$ (51,181)</u></u>	<u><u>\$ (92,339)</u></u>	<u><u>32,259</u></u>	<u><u>\$ 124,598</u></u>
Non-GAAP change in fund balance			<u>64,383</u>	
GAAP change in fund balance			<u><u>\$ 64,383</u></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, 2012

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,119,454
Investments	337,531
Accounts receivable	
Utility billing, net of allowance	276,487
Gross receipts taxes	7,304
Restricted cash	61,450
Capital reserve fund	<u>140,000</u>
Total Current Assets	<u>1,942,226</u>
Capital assets, not depreciated	2,340,000
Capital assets, net of accumulated depreciation	<u>3,986,339</u>
Total Assets	<u>8,268,565</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	60,049
Gross receipts tax payable	14,553
Interest payable	10,689
Deposits payable	<u>98,269</u>
Total current liabilities	<u>183,560</u>
Non current Liabilities	
Compensated absences	5,115
Long-term liabilities, due in one year	155,466
Long-term liabilities, due in more than one year	<u>1,631,158</u>
Total noncurrent liabilities	<u>1,791,739</u>
Total liabilities	<u>1,975,299</u>

Net Assets	
Invested in Capital Assets, net of related debt	4,539,715
Restricted for debt service	35,678
Unrestricted	<u>1,717,873</u>
Total Net Assets	<u>6,293,266</u>
Total Liabilities and Net Assets	<u>\$ 8,268,565</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, 2012

Operating Revenues	
Sales and services	\$ <u>1,766,052</u>
Operating Expenses	
Operating expenses	1,096,168
Depreciation	<u>246,155</u>
Total operating expenses	<u>1,342,323</u>
Operating income	<u>423,729</u>
Nonoperating Revenues (Expenses)	
Interest income	925
Interest expense	(11,856)
Transfers in	2,253,168
Transfer out	<u>(73,464)</u>
Total Non-Operating Revenue (Expense)	<u>2,168,773</u>
Net income	2,592,502
Net assets, beginning of year	<u>3,700,764</u>
Total net assets, end of year	<u><u>\$ 6,293,266</u></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, 2012

Cash Flows From Operating Activities	
Cash received from customers	\$ 1,738,107
Cash payments to vendors and employees	<u>(1,059,041)</u>
Net cash used by operating activities	<u>679,066</u>
Cash Flows From Noncapital and Related Financing Activities	
Net change in deposits payable	7,574
Net change in due to/due from other funds	(2,030,778)
Operating transfers, net	<u>2,179,704</u>
Net cash used by noncapital financing activities	<u>156,500</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(15,501)
Principle payment on loans	(150,442)
Interest payment on loans and capital leases	(11,856)
Additions to capital reserve account	<u>(10,000)</u>
Net cash provided by capital and related financing activities	<u>(187,799)</u>
Cash Flows From Investing Activities	
Interest income	<u>925</u>
Net cash provided by investing activities	<u>925</u>
Net change in cash	648,692
Cash, beginning of year	<u>869,743</u>
Cash, end of year	<u><u>\$ 1,518,435</u></u>
Operating income	\$ 423,729
Adjustments to reconcile operating income to net cash flows:	
Depreciation expense	246,155
Changes in assets and liabilities:	
Accounts receivable	(27,945)
Accounts payable	32,647
Accrued expenses	5,763
Compensated absences	<u>(1,283)</u>
Net cash used by operating activities	<u><u>\$ 679,066</u></u>

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

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
June 30, 2012

ASSETS

Cash \$ 8,515

Total assets \$ 8,515

LIABILITIES

Due to other entities \$ 8,515

Total liabilities \$ 8,515

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

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Village of Milan, Inc. (Village) was incorporated under provisions 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, 2012.

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 segments 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.

Private-sector standards of accounting and financial reporting issued prior to December 01, 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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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.

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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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.

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.

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.

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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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.

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).

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 1/2 years
Buildings and other improvements	33 1/2 years
Shared plant	30 years
Heavy equipment	15 years
Machinery and equipment	5 - 10 years
Wells	33 1/2 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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Accrued Employee Benefits

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as 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.

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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 yearend.

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, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Implementation of New Accounting Standards

During the year ended June 30, 2012, the Village adopted Government Accounting Standards Board Statement (GASB) No. 52, *Land and Other Real Estate Held as Investments by Endowments* (GASB 52). GASB 52 will not have a material impact on the Village's financial statements.

NOTE 2. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2012, the Village's bank balance total of \$3,757,649 was exposed to credit risk in the amount of \$1,906,847 as follows:

Uninsured and collateral held by pledging bank's trust department or agent but not in the Village's name	\$1,906,847
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According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The Dodd Frank Act of 2010 required that all funds in a non-interest bearing bank account be fully insured by the FDIC through December 31, 2012. The Village has five non-interest bearing accounts that is 100% FDIC insured through December 31, 2012, which are general, payroll and CDBG Planning accounts of Grants State Bank, Operating-Pooled cash account of US Bank and GO Bonds account of Wells Fargo Bank.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2. CASH AND INVESTMENTS (Continued)

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).

Investments

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

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

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

NOTE 3. ACCOUNTS RECEIVABLE — PROPRIETARY FUNDS

Accounts receivable represents billings for water, waste water and solid waste fees. It is management's policy to cut off water and waste water service for non-payment. A lien is placed on the properties which have outstanding water bills. Accounts receivable is comprised of the following at June 30, 2012:

Accounts receivable	\$ 301,900
Allowance for uncollectible accounts	<u>(25,413)</u>
	<u>\$ 276,487</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2012 was as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 594,006	\$ 60,000		\$ 654,006
Construction in process	<u>1,794,954</u>		\$ (1,794,954)	
Total, not depreciated	<u>2,388,960</u>	<u>60,000</u>	<u>(1,794,954)</u>	<u>654,006</u>
Capital assets, depreciated:				
Buildings and improvements	3,909,901	29,277	1,269,624	5,208,802
Furniture, fixtures and equipment	995,541	15,501		1,011,042
Vehicles	443,129	587,765		1,030,894
Infrastructure	<u>3,463,991</u>	<u>588,655</u>	<u>525,330</u>	<u>4,577,977</u>
Total, depreciated	<u>8,812,562</u>	<u>1,221,198</u>	<u>1,794,954</u>	<u>11,828,714</u>
Accumulated depreciation for:				
Buildings and improvements	2,041,109	88,422		2,129,532
Furniture, fixtures and equipment	888,598	21,774		910,372
Vehicles	343,762	74,050		417,812
Infrastructure	<u>197,067</u>	<u>101,557</u>		<u>298,624</u>
Total accumulated depreciation	<u>3,470,536</u>	<u>285,804</u>	<u>0</u>	<u>3,756,340</u>
Total capital assets, depreciated, net	<u>5,342,026</u>	<u>935,394</u>	<u>1,794,954</u>	<u>8,072,374</u>
Total capital assets, net	<u>\$ 7,730,986</u>	<u>\$ 995,394</u>	<u>\$ 0</u>	<u>\$ 8,726,380</u>

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

General government	\$ 52,285
Public safety	74,606
Highways and streets	102,115
Culture and recreation	<u>56,798</u>
Total depreciation expense	<u>\$ 285,804</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not depreciated:				
Land	\$ 927,000			\$ 927,000
Water rights	1,413,000			1,413,000
Construction in process	<u>216,035</u>	\$ _____	\$ (216,035)	<u> </u>
Total, not depreciated	<u>2,556,035</u>	<u>\$ 0</u>	<u>(216,035)</u>	<u>2,340,000</u>
Capital assets, depreciated:				
Plant and system	8,176,306		216,035	8,392,340
Buildings and improvements	131,057			131,057
Furniture, fixtures and equipment	<u>973,683</u>	<u>15,501</u>	<u> </u>	<u>989,184</u>
Total, depreciated	<u>9,281,046</u>	<u>15,501</u>	<u>216,035</u>	<u>9,512,582</u>
Accumulated depreciation for:				
Plant and system	4,503,432	208,028		4,711,459
Buildings and improvements	57,225	3,190		60,415
Furniture, fixtures and equipment	<u>719,432</u>	<u>34,937</u>	<u> </u>	<u>754,369</u>
Total accumulated depreciation	<u>5,280,088</u>	<u>246,155</u>	<u>0</u>	<u>5,526,243</u>
Total capital assets, depreciated, net	<u>4,000,958</u>	<u>(230,654)</u>	<u>216,035</u>	<u>3,986,339</u>
Total capital assets, net	<u>\$ 6,556,993</u>	<u>\$ (230,654)</u>	<u>\$ 0</u>	<u>\$ 6,326,339</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5. LONG-TERM OBLIGATIONS - GOVERNMENTAL FUNDS

During the year ended June 30, 2012, the following changes occurred:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General Obligation					
bonds	\$ 268,000		\$ (86,000)	\$ 182,000	\$ 92,000
Notes payable	23,943	\$ 326,157	(11,863)	338,237	44,814
Compensated Absences	<u>43,685</u>		<u>(1,580)</u>	<u>42,105</u>	<u>42,105</u>
Total	<u>\$ 335,628</u>	<u>\$ 326,157</u>	<u>\$ (99,443)</u>	<u>\$ 562,342</u>	<u>\$ 178,919</u>

General Obligation Bonds: The Village had general obligation bond series outstanding during the fiscal year ending June 30, 2012

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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 92,000	\$ 6,106	98,106
2014	<u>90,000</u>	<u>2,034</u>	<u>92,034</u>
	<u>\$ 182,000</u>	<u>\$ 8,140</u>	<u>\$ 190,140</u>

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

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

The future requirements for notes payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2013	\$ <u>12,080</u>	\$ <u>199</u>	\$ <u>30</u>	\$ <u>12,309</u>
	\$ <u>12,080</u>	\$ <u>199</u>	\$ <u>30</u>	\$ <u>12,309</u>

On April 04, 2012, the Village entered into a loan agreement with the New Mexico Finance Authority for the principal amount \$326,157. The proceeds from the note were used to purchase and equip two fire trucks for use by the Governmental Unit.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Term</u>
Purchase Fire Equipment	1.535%	\$326,157	10years

The future requirements for notes payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2013	\$ 20,425	\$ <u>4,120</u>	12,309	\$ <u>36,854</u>
2014	\$ <u>32,777</u>	\$ <u>3,955</u>	\$ -	\$ <u>36,732</u>
2015	\$ <u>32,902</u>	\$ <u>3,830</u>	\$ -	\$ <u>36,732</u>
2016	\$ <u>33,093</u>	\$ <u>3,639</u>	\$ -	\$ <u>36,732</u>
2017	\$ <u>33,370</u>	\$ <u>3,361</u>	\$ -	\$ <u>36,731</u>
2018-2022	\$ <u>173,590</u>	\$ <u>10,069</u>	\$ -	\$ <u>183,659</u>
	\$ <u>326,157</u>	\$ <u>28,975</u>	\$ <u>12,309</u>	\$ <u>367,440</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 of Village Service</u>	<u>Yearly Accumulation</u>
0-10 (inclusive)	96 hours
11 - or more	120 hours

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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, 2012, \$690,000 of bonds outstanding is considered defeased.

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2012, the following changes occurred:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Notes payable	\$ 1,937,066		\$ (150,443)	\$ 1,786,623	\$ 155,466
Compensated absences	<u>6,398</u>		<u>(1,284)</u>	<u>5,115</u>	<u>5,115</u>
Total	<u>\$ 1,943,464</u>	<u>\$ 0</u>	<u>\$ (151,727)</u>	<u>\$ 1,791,738</u>	<u>\$ 160,581</u>

Notes payable: The Village had two notes payable outstanding during the fiscal year ending June 30, 2012

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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 26,805	\$ 10,195	\$ 37,000
2014	28,574	8,426	37,000
2015	30,461	6,539	37,000
2016	32,472	4,528	37,000
2017	34,616	2,384	37,000
2018	<u>18,156</u>	<u>344</u>	<u>18,500</u>
	<u>\$ 171,085</u>	<u>\$ 32,415</u>	<u>\$ 203,500</u>

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 04, 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 \$2,583,296 of which \$240,000 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 01, 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	Total
2013	\$ 128,661	\$ 60,269	\$ 188,930
2014	133,526	56,146	189,672
2015	137,421	51,731	189,152
2016	141,517	47,046	188,563
2017	144,388	42,077	186,465
2018 to 2022	766,109	126,985	893,094
2023	163,916	6,850	170,766
	<u>\$ 1,615,538</u>	<u>\$ 391,104</u>	<u>\$ 2,006,642</u>

NOTE 7. CONTINGENT DEBT OBLIGATION

On June 01, 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.

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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7. CONTINGENT DEBT OBLIGATION (Continued)

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, 2012, 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

Inter-agency transfers at June 30, 2012 consisted of the following:

<u>Transfer In fund</u>	<u>Fund Description</u>	<u>Amount</u>	<u>Transfer Out fund</u>	<u>Fund Description</u>	<u>Amount</u>
101	General Fund	\$ 22,282	101	General Fund	\$1,402,777
199	Payroll Fund	56,376	214	Lodger's Tax Fund	831
201	Correction Fund	1,805	216	Street Fund	128,155
209	Fire Protection Fund	88,857	299	CDBG Planning Grant	587,177
211	Law Enforcement Protection Fund	1,753	399	Co-Op Street Improvement Fund	442,127
217	Recreation Fund	10,491	402	1981 Water/Sewer Revenue Bond	25,773
399	Co-Op Street Improvement Fund	105,644	403	Debit Services Reserve	9,908
401	Debt Services Fund	99,584	506	Joint Utility Fund	37,784
506	Joint Utility Fund	<u>2,253,168</u>			
	Total transfers	<u>\$2,639,960</u>		Total transfers	<u>\$2,634,532</u>

Interfund transfer balances are unbalanced by the amount \$5,428 and the cause of which is unknown.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 9. INTERFUND BALANCES

Interfund balances at June 30, 2012 consisted of the following amounts:

<u>Due From</u>			<u>Due to</u>		
<u>Fund</u>	<u>Fund Description</u>	<u>Amount</u>	<u>Fund</u>	<u>Fund Description</u>	<u>Amount</u>
199	Payroll Fund	\$ 72,057	101	General Fund	\$ 70,514
		<u> </u>	216	Street Fund	<u>1,543</u>
	Total Due from	<u>\$ 72,057</u>		Total Due to	<u>\$ 72,057</u>

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

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, 2012, 2011, and 2010 were \$89,013 \$83,872, and, \$84,852, respectively, equal to the amount of the required contributions for each year.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retirement Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the time between the employer's effective date and the date of retirement; (2) Retirees defined by the Act who retired prior to July 01, 1990; and (3) former governing authority members who served at four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd N.E., Suite 104, Albuquerque, New Mexico 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 member's 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.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 12. POST-EMPLOYMENT BENEFITS (CONTINUED)

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ending June 30, 2012, the statute required each participating employer contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will raise as follows:

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

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY13	2.000%	1.000%

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:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
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, 2012, 2011 and 2010 were \$20,588, \$6,403 and \$7,907, respectively, which equal the required contributions for each year.

VILLAGE OF MILAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 \$1,000,000 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.

NOTE 14. 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 operation 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, 2012

NOTE 14. 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 01, 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.

NOTE 15. 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 gave 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, 2012, management estimates that no material liabilities will result form such audits.

VILLAGE OF MILAN, NEW MEXICO
NONMAJOR FUNDS
June 30, 2012

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.

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.

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 NMSA 7-12-15.

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, 2012

	<u>CORRECTION FUND</u>	<u>LAW ENFORCEMENT PROTECTION FUND</u>	<u>LODGER'S TAX FUND</u>
ASSETS			
Cash and cash equivalents	\$ 74,799	\$ 2	\$ 23,117
Investments			
Receivables			
Gross receipts tax			
Gasoline tax			
Total assets	<u>74,799</u>	<u>2</u>	<u>23,117</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued compensation and benefits			
Due to other funds			
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES			
Assigned for:			
General fund	74,799		
Restricted for:			
Capital projects funds			
Special revenue funds		2	23,117
Debt service			
Total fund balances	<u>74,799</u>	<u>2</u>	<u>23,117</u>
Total liabilities and fund balances	<u>\$ 74,799</u>	<u>\$ 2</u>	<u>\$ 23,117</u>

VILLAGE OF MILAN, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2012

	<u>STREET FUND</u>	<u>RECREATION FUND</u>	<u>CDBG PLANNING GRANT</u>
ASSETS			
Cash and cash equivalents	\$ 117,390	\$ 23,184	\$ 72,220
Investments			
Receivables			
Gross receipts tax			
Gasoline tax	<u>32,594</u>		
Total assets	<u>149,984</u>	<u>23,184</u>	<u>72,220</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued compensation and benefits	744		
Due to other funds	<u>1,543</u>		
Total liabilities	<u>2,287</u>	<u>0</u>	<u>0</u>
FUND BALANCES			
Assigned for:			
General fund			
Restricted for:			
Capital projects funds			72,220
Special revenue funds	147,697	23,184	
Debt service			
Total fund balances	<u>147,697</u>	<u>23,184</u>	<u>72,220</u>
Total liabilities and fund balances	<u>\$ 149,984</u>	<u>\$ 23,184</u>	<u>\$ 72,220</u>

VILLAGE OF MILAN, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2012

	DEBT SERVICE FUND	TOTAL
ASSETS	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 131,781	\$ 442,493
Investments	2	2
Receivables		
Gross receipts tax	2,298	2,298
Gasoline tax		<u>32,594</u>
Total assets	<u>134,081</u>	<u>477,387</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accrued compensation and benefits		744
Due to other funds		<u>1,543</u>
Total liabilities	<u>0</u>	<u>2,287</u>
FUND BALANCES		
Assigned for:		
General fund		74,799
Restricted for:		
Capital projects funds		72,220
Special revenue funds		194,000
Debt service	<u>134,081</u>	<u>134,081</u>
Total fund balances	<u>134,081</u>	<u>475,100</u>
Total liabilities and fund balances	<u>\$ 134,081</u>	<u>\$ 477,387</u>

**VILLAGE OF MILAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2012**

	CORRECTION FUND	LAW ENFORCEMENT PROTECTION FUND	LODGER'S TAX FUND
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes			\$ 2,970
Licenses, permits, fees and fines	\$ 50,154		
Federal sources - Intergovernmental			
Non-federal sources - Intergovernmental		\$ 22,400	
Interest	51		18
Miscellaneous	<u>300</u>	<u> </u>	<u> </u>
Total revenues	<u>50,505</u>	<u>22,400</u>	<u>2,988</u>
Expenditures			
General government	5		1,171
Public safety	24,663		
Highways and streets			
Debt service - principal			
Debt service - interest			
Capital outlay	<u> </u>	<u>29,536</u>	<u> </u>
Total expenditures	<u>24,668</u>	<u>29,536</u>	<u>1,171</u>
(Deficiency) excess of revenues over expenditures before other financings sources	<u>25,837</u>	<u>(7,136)</u>	<u>1,817</u>
Other Financing Sources (Uses)			
Operating transfer in	1,805	1,753	
Operating transfer out	<u> </u>	<u> </u>	<u>(831)</u>
Total other financing sources (uses)	<u>1,805</u>	<u>1,753</u>	<u>(831)</u>
Net change in fund balances	27,642	(5,383)	986
Fund balance, beginning of year	<u>47,157</u>	<u>5,385</u>	<u>22,131</u>
Fund balance, end of year	<u>\$ 74,799</u>	<u>\$ 2</u>	<u>\$ 23,117</u>

**VILLAGE OF MILAN, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2012**

	<u>STREET FUND</u>	<u>RECREATION FUND</u>	<u>CDBG PLANNING GRANT</u>
Revenues			
Taxes	\$ 200,895	\$ 2	
Licenses, permits, fees and fines			
Federal sources -			
Intergovernmental			\$ 288,062
Non-federal sources -			
Intergovernmental			16,951
Interest	82	20	
Miscellaneous			
Total revenues	<u>200,977</u>	<u>22</u>	<u>305,013</u>
Expenditures			
General government			
Public safety			
Highways and streets	158,043		154,310
Debt service - principal			
Debt service - interest			
Capital outlay	2,202		
Total expenditures	<u>160,245</u>	<u>0</u>	<u>154,310</u>
(Deficiency) excess of revenues over expenditures before other financings sources	<u>40,732</u>	<u>22</u>	<u>150,703</u>
Other Financing Sources (Uses)			
Operating transfer in		10,490	
Operating transfer out	(128,155)		(587,177)
Total other financing sources (uses)	<u>(128,155)</u>	<u>10,490</u>	<u>(587,177)</u>
Net change in fund balances	(87,423)	10,512	(436,474)
Fund balance, beginning of year	<u>235,120</u>	<u>12,672</u>	<u>508,694</u>
Fund balance, end of year	<u>\$ 147,697</u>	<u>\$ 23,184</u>	<u>\$ 72,220</u>

**VILLAGE OF MILAN, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2012**

	DEBT SERVICE FUND	TOTAL
	<u> </u>	<u> </u>
Revenues		
Taxes	\$ 101,210	\$ 305,077
Licenses, permits, fees and fines		50,154
Federal sources -		
Intergovernmental		288,062
Non-federal sources -		
Intergovernmental		39,351
Interest	2	173
Miscellaneous		300
Total revenues	<u>101,212</u>	<u>683,117</u>
Expenditures		
General government	746	1,922
Public safety		24,663
Highways and streets		312,353
Debt service - principal	86,000	86,000
Debt service - interest	10,010	10,010
Capital outlay		31,738
Total expenditures	<u>96,756</u>	<u>466,686</u>
(Deficiency) excess of revenues over expenditures before other financings sources	<u>4,456</u>	<u>216,431</u>
Other Financing Sources (Uses)		
Operating transfer in	99,584	113,632
Operating transfer out		(716,163)
Total other financing sources (uses)	<u>99,584</u>	<u>(602,531)</u>
Net change in fund balances	104,040	(386,100)
Fund balance, beginning of year	<u>30,041</u>	<u>861,200</u>
Fund balance, end of year	<u>\$ 134,081</u>	<u>\$ 475,100</u>

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Licenses, permits, fees and fines	\$ 60,450	\$ 60,650	\$ 50,154	\$ (10,496)
Miscellaneous	600	600	300	(300)
Interest	<u>200</u>	<u>200</u>	<u>51</u>	<u>(149)</u>
Total revenues	<u>61,250</u>	<u>61,450</u>	<u>50,505</u>	<u>(10,945)</u>
Expenditures				
General Governmental		10	5	5
Public safety	<u>33,500</u>	<u>33,490</u>	<u>24,663</u>	<u>8,827</u>
Total expenditures	<u>33,500</u>	<u>33,490</u>	<u>24,668</u>	<u>8,832</u>
Excess of revenues over expenditures	<u>27,750</u>	<u>27,960</u>	<u>25,837</u>	<u>(2,113)</u>
Other financing sources				
Operating transfers in			<u>1,805</u>	<u>1,805</u>
Total other financing sources	<u>0</u>	<u>0</u>	<u>1,805</u>	<u>1,805</u>
Net change in fund balance	27,750	27,960	27,642	(308)
Fund balance, beginning of year	<u>84,415</u>	<u>41,465</u>	<u>47,157</u>	<u>5,692</u>
Fund balance, end of year	<u>\$ 112,165</u>	<u>\$ 69,425</u>	<u>74,799</u>	<u>\$ 5,384</u>
Non-GAAP change in fund balance			<u>27,642</u>	
GAAP change in fund balance			<u>\$ 27,642</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 24,000	\$ 22,400	\$ 22,400	
Miscellaneous	<u>4,150</u>	<u>7,129</u>		\$ (7,129)
Total revenues	<u>28,150</u>	<u>29,529</u>	<u>22,400</u>	<u>(7,129)</u>
Expenditures				
Capital outlay	<u>26,550</u>	<u>29,529</u>	<u>29,537</u>	<u>(8)</u>
Total expenditures	<u>26,550</u>	<u>29,529</u>	<u>29,537</u>	<u>(8)</u>
Excess of revenues over expenditures	<u>1,600</u>		<u>(7,137)</u>	<u>(7,137)</u>
Other financing sources (uses)				
Operating transfers in			<u>1,743</u>	<u>1,743</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>1,743</u>	<u>1,743</u>
Net change in fund balance	1,600	0	(5,394)	(5,394)
Fund balance, beginning of year	<u>(2,554)</u>	<u>(2,704)</u>	<u>5,385</u>	<u>8,089</u>
Fund balance, end of year	<u><u>\$ (954)</u></u>	<u><u>\$ (2,704)</u></u>	<u>(9)</u>	<u><u>\$ 2,695</u></u>
Non-GAAP change in fund balance			(5,394)	
Change in:				
Accounts receivable			<u>11</u>	
GAAP change in fund balance			<u><u>\$ (5,383)</u></u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LODGERS TAX
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 3,500	\$ 3,500	\$ 2,970	\$ (530)
Interest	<u>50</u>	<u>50</u>	<u>18</u>	<u>(32)</u>
Total revenues	<u>3,550</u>	<u>3,550</u>	<u>2,988</u>	<u>(562)</u>
Expenditures				
General government	4,500	4,500	1,172	3,328
Total expenditures	<u>4,500</u>	<u>4,500</u>	<u>1,172</u>	<u>3,328</u>
Excess of revenues over expenditures	<u>(950)</u>	<u>(950)</u>	<u>1,816</u>	<u>2,766</u>
Other financing sources (uses)				
Operating transfers out			<u>(831)</u>	<u>(831)</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(831)</u>	<u>(831)</u>
Net change in fund balance	(950)	(950)	985	1,935
Fund balance, beginning of year	<u>13,443</u>	<u>13,168</u>	<u>22,131</u>	<u>8,963</u>
Fund balance, end of year	<u>\$ 12,493</u>	<u>\$ 12,218</u>	<u>23,116</u>	<u>\$ 10,898</u>
Non-GAAP change in fund balance			985	
Change in:				
Accounts payable			<u>1</u>	
GAAP change in fund balance			<u>\$ 986</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREETS
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 166,000	\$ 166,000	\$ 168,301	\$ 2,301
Interest	<u>200</u>	<u>200</u>	<u>82</u>	<u>(118)</u>
Total revenues	<u>166,200</u>	<u>166,200</u>	<u>168,383</u>	<u>2,183</u>
Expenditures				
Highways and streets	207,943	219,943	157,168	62,775
Capital outlay	<u>11,500</u>	<u>8,000</u>	<u>2,202</u>	<u>5,798</u>
Total expenditures	<u>219,443</u>	<u>227,943</u>	<u>159,370</u>	<u>68,573</u>
Excess of revenues over expenditures	<u>(53,243)</u>	<u>(61,743)</u>	<u>9,013</u>	<u>70,756</u>
Other financing sources (uses)				
Operating transfers out			(128,155)	(128,155)
Total other financing sources (uses)			<u>(128,155)</u>	<u>(128,155)</u>
Net change in fund balance	(53,243)	(61,743)	(119,142)	(57,399)
Fund balance, beginning of year	<u>146,506</u>	<u>141,649</u>	<u>235,120</u>	<u>93,471</u>
Fund balance, end of year	<u>\$ 93,263</u>	<u>\$ 79,906</u>	<u>115,978</u>	<u>\$ 36,072</u>
Non- GAAP change in fund balance			(119,142)	
Change in:				
Accounts receivable			32,594	
Accounts payable			<u>(875)</u>	
GAAP change in fund balance			<u>\$ (87,423)</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes			\$ 2	\$ 2
Interest			20	20
Total revenues	\$ 0	\$ 0	22	22
Total expenditures	0	0	0	0
Excess of revenues over expenditures			22	22
Other financing sources (uses)				
Operating transfers in			10,491	10,491
Total other financing sources(uses)			10,491	10,491
Net change in fund balance			10,513	10,513
Fund balance, beginning of year	12,987	12,987	12,672	(315)
Fund balance, end of year	\$ 12,987	\$ 12,987	23,185	\$ 10,198
Non-GAAP change in fund balance			10,513	
GAAP change in fund balance			\$ 10,513	

VILLAGE OF MILAN, NEW MEXICO
TATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CDBG PLANNING GRANT
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ <u>47,500</u>	\$ <u>237,500</u>	\$ <u>305,013</u>	\$ <u>67,513</u>
Total revenues	<u>47,500</u>	<u>237,500</u>	<u>305,013</u>	<u>67,513</u>
Expenditures				
Highway and Streets	<u>50,000</u>	<u>250,000</u>	<u>154,310</u>	<u>95,690</u>
Total expenditures	<u>50,000</u>	<u>250,000</u>	<u>154,310</u>	<u>95,690</u>
Excess of revenues over expenditures	<u>(2,500)</u>	<u>(12,500)</u>	<u>150,703</u>	<u>163,203</u>
Other financing sources				
Operating transfers out			(587,177)	(587,177)
Operating transfers in	<u>2,500</u>	<u>10,000</u>		<u>(10,000)</u>
Total other financing sources	<u>2,500</u>	<u>10,000</u>	<u>(587,177)</u>	<u>(597,177)</u>
Net change in fund balance	0	(2,500)	(436,474)	(433,974)
Fund balance, beginning of year	<u>(3,716)</u>	<u>46,284</u>	<u>508,694</u>	<u>462,410</u>
Fund balance, end of year	\$ <u><u>(3,716)</u></u>	\$ <u><u>43,784</u></u>	<u>72,220</u>	\$ <u><u>28,436</u></u>
Non-GAAP change in fund balance			<u>(436,474)</u>	
GAAP change in fund balance			\$ <u><u>(436,474)</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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 127,000	\$ 127,000	\$ 98,912	\$ (28,088)
Interest			2	2
Miscellaneous	<u>150</u>	<u>150</u>		<u>(150)</u>
Total revenues	<u>127,150</u>	<u>127,150</u>	<u>98,914</u>	<u>(28,236)</u>
Expenditures				
General government	713	713	747	(34)
Debt service - principal	86,000	86,000	86,000	
Debt service - interest	<u>10,010</u>	<u>10,010</u>	<u>10,010</u>	
Total expenditures	<u>96,723</u>	<u>96,723</u>	<u>96,757</u>	<u>(34)</u>
Excess of revenues over expenditures	<u>30,427</u>	<u>30,427</u>	<u>2,157</u>	<u>(28,270)</u>
Operating transfers out				
Operating transfers in			<u>99,584</u>	<u>99,584</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>99,584</u>	<u>99,584</u>
Net change in fund balance	30,427	30,427	101,741	71,314
Fund balance, beginning of year	<u>126,328</u>	<u>90,559</u>	<u>30,041</u>	<u>(60,518)</u>
Fund balance, end of year	<u>\$ 156,755</u>	<u>\$ 120,986</u>	<u>131,782</u>	<u>\$ 10,796</u>
Non-GAAP change in fund balance			101,741	
Change in:				
Accounts receivable			2,298	
Accounts payable			<u>1</u>	
GAAP change in fund balance			<u>\$ 104,040</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET IMPROVEMENT
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 422,500	\$ 558,467		\$ (558,467)
Interest			\$ 903	903
Total revenues	<u>422,500</u>	<u>558,467</u>	<u>903</u>	<u>(557,564)</u>
Expenditures				
Capital outlay	<u>550,000</u>	<u>871,689</u>	<u>379,902</u>	<u>491,787</u>
Total expenditures	<u>550,000</u>	<u>871,689</u>	<u>379,902</u>	<u>491,787</u>
Excess of revenues over expenditures	<u>(127,500)</u>	<u>(313,222)</u>	<u>(378,999)</u>	<u>(65,777)</u>
Other financing sources (uses)				
Operating transfers in	127,500		105,644	105,644
Operating transfers out			<u>(442,127)</u>	<u>(442,127)</u>
Total other financing sources (uses)	<u>127,500</u>	<u>0</u>	<u>(336,483)</u>	<u>(336,483)</u>
Net change in fund balance	0	(313,222)	(715,482)	(402,260)
Fund balance, beginning of year	<u>1,094,597</u>	<u>2,182,611</u>	<u>751,284</u>	<u>(1,431,327)</u>
Fund balance, end of year	<u>\$ 1,094,597</u>	<u>\$ 1,869,389</u>	<u>35,802</u>	<u>\$ (1,833,587)</u>
Non-GAAP change in fund balance			<u>(715,482)</u>	
GAAP change in fund balance			<u>\$ (715,482)</u>	

VILLAGE OF MILAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
JOINT UTILITY
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for services	\$ 1,606,500	\$ 1,606,500	\$ 1,765,225	\$ 158,725
Interest	<u>50</u>	<u>50</u>	<u>820</u>	<u>770</u>
Total revenues	<u>1,606,550</u>	<u>1,606,550</u>	<u>1,766,045</u>	<u>159,495</u>
Expenses				
Joint utility	1,454,392	1,674,850	1,058,824	616,026
Debt service- interest	<u>13,413</u>	<u>11,856</u>	<u>11,856</u>	
Total expenditures	<u>1,467,805</u>	<u>1,686,706</u>	<u>1,070,680</u>	<u>616,026</u>
Excess of revenues over expenditures	<u>138,745</u>	<u>(80,156)</u>	<u>695,365</u>	<u>775,521</u>
Other financing sources (uses)				
Operating transfers in	15,000	300,000	193,357	(106,643)
Operating transfers out	<u>175,000</u>	<u>50,000</u>	<u>(15,501)</u>	<u>65,501</u>
Total other financing sources (uses)	<u>190,000</u>	<u>350,000</u>	<u>177,856</u>	<u>172,144</u>
Net change in net assets	328,745	269,844	873,221	603,377
Net assets, beginning of year	<u>3,340,338</u>	<u>3,224,373</u>	<u>3,700,764</u>	<u>476,391</u>
Net assets, end of year	<u>\$ 3,669,083</u>	<u>\$ 3,494,217</u>	<u>4,573,985</u>	<u>\$ 1,079,768</u>
Changes in net assets above			873,221	
Expenses not budgeted:				
Accounts receivable			2,060,742	
Accounts payable			(95,306)	
Depreciation			<u>(246,155)</u>	
Net income per the statement of revenues and expenses			<u>\$ 2,592,502</u>	

VILLAGE OF MILAN, NEW MEXICO
AGENCY FUNDS
June 30, 2012

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, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
POLICE BONDS				
ASSETS				
Cash	\$ 4,892	\$ 3,623		\$ 8,515
Due from other funds	<u>671</u>		<u>\$ 671</u>	
Total assets	<u><u>\$ 5,563</u></u>	<u><u>\$ 3,623</u></u>	<u><u>\$ 671</u></u>	<u><u>\$ 8,515</u></u>
LIABILITIES				
Deposits held in trust	<u>\$ 5,563</u>	<u>\$ 3,623</u>	<u>\$ 671</u>	<u>\$ 8,515</u>
Total liabilities	<u><u>\$ 5,563</u></u>	<u><u>\$ 3,623</u></u>	<u><u>\$ 671</u></u>	<u><u>\$ 8,515</u></u>

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2012

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Grants State Bank	General	Checking	\$ 969,850	\$ 895,542
Grants State Bank	Payroll	Checking	18,338	18,338
Grants State Bank	Correction	Checking	74,457	74,799
Grants State Bank	Fire Protection	Checking	16,251	16,127
Grants State Bank	Law Enforcement	Checking	20,850	(8)
Grants State Bank	Lodgers Tax	Checking	23,117	23,117
Grants State Bank	Street	Checking	118,933	118,933
Grants State Bank	Recreation	Checking	23,184	23,184
Grants State Bank	CDBG Planning	Checking	72,220	72,220
Grants State Bank	Co-Op Street	Checking	279,494	279,494
Grants State Bank	Joint Utility	Checking	1,602	1,602
Grants State Bank	Water Deposit	Checking	60,016	59,588
Grants State Bank	Savings - General Fund	Saving	43,179	43,179
Grants State Bank	Savings- Fire Fund	Saving	16,131	16,131
Grants State Bank	Debt Service Reserve	Saving	0	0
US Bank	Operating-Pooled cash	Checking	1,241,481	1,211,401
US Bank	Savings	Saving	283,370	283,370
US Bank	Savings	Saving	3,431	3,431
US Bank	Savings	Saving	6,957	6,957
US Bank	Savings	Saving	6,957	6,957
Wells Fargo Bank	GO Bonds	Checking	<u>131,781</u>	<u>131,781</u>
Total deposit accounts			3,411,599	3,286,143
Petty cash	General			100
Returned check clearing	Joint Utility			<u>(287)</u>
			<u>3,411,599</u>	<u>3,285,956</u>
Investment Accounts				
Grants State Bank	Enterprise Fund CD	CD	60,000	60,000
Bank of Albuquerque	U.S. Treasury Money Market Fund	Investment	184,743	184,743
NM Finance Authority	U.S. Treasury Money Market Fund	Investment	92,789	92,789
NM Finance Authority	U.S. Treasury Money Market Fund	Investment	<u>3</u>	<u>3</u>
Total investment accounts			<u>337,535</u>	<u>337,535</u>
Total deposit and investment accounts- non-agency			<u>\$ 3,749,134</u>	<u>\$ 3,623,491</u>
Agency funds cash accounts:				
Grants State Bank	Police Bonds	Checking	<u>\$ 8,515</u>	<u>\$ 8,515</u>

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2012

	Grants State Bank	US Bank	Wells Fargo Bank	Total
Deposits at June 30, 2012	\$ 2,215,453	\$ 1,542,196	\$ 131,781	\$ 3,757,649
Less: FDIC coverage	<u>359,321</u>	<u>1,491,481</u>	<u>131,781</u>	<u>1,850,802</u>
Uninsured public funds	1,856,132	50,715		1,906,847
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	<u>1,188,244</u>	<u>118,906</u>	<u> </u>	<u>1,307,150</u>
50% pledged collateral requirement per statute	928,066	25,358		953,424
Total pledged collateral	<u>1,188,244</u>	<u>118,906</u>	<u> 0</u>	<u>1,307,150</u>
Pledged collateral over the requirement	<u>\$ (260,178)</u>	<u>\$ (93,548)</u>	<u>\$ 0</u>	<u>\$ (353,726)</u>

Pledged collateral at June 30, 2012 consists of the following:

Security	CUSIP	Maturity	Market Value	Market Value	Market Value	Total
Bernalillo NM MSD 1	085279NY9	8/1/2020	\$ 167,414			\$ 167,414
Gadsden NM ISD BQ Call GO	362550KR5	8/15/2018	545,105			545,105
Bloomfield NM mun Sch Dist BQ	094077KN3	9/1/2019	120,785			120,785
Carlsbad SD Call FR	142735CM9	8/1/2013	100,308			100,308
Dulce ISD NO 21 Call FR	264430GJ2	5/1/2015	153,708			153,708
San Juan Cnty NM JRCO	798360EB5	2/15/2016	100,924			100,924
FNMA POOL 988885	31415TREZ	10/1/2025	<u> </u>	<u>\$ 118,906</u>	<u> </u>	<u>118,906</u>
Total pledged collateral			<u>\$ 188,244</u>	<u>\$ 118,906</u>	<u>\$ 0</u>	<u>\$ 307,150</u>

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, 2012

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Village	Amount contributed by Village during fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
Grants Airport	Village of Milan, City of Grants	City of Grants	To provide for the management, operation, maintenance, improvement and financing of the Grants-Milan municipal airport	08/96 to indefinite	None	\$6,976	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 of 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.	None	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.	None	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 indefinite to contribute 50% of its Environmental Gross Receipts Tax.	\$8,412	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 Indefinite	None	\$4,400	City of Grants	City of Grants

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF JOINT POWERS AGREEMENTS
June 30, 2012

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
Mosquito Control	Village of Milan, Cibola County Vector	Cibola County Vector	Mosquito Control	Unknown Indefinite	The Village is required to contribute 26% of the yearly operating costs	\$6,509	Cibola County	Cibola County
Prisoner Housing	Cibola County, Village of Milan	Cibola County	To provide housing of municipal prisoners arrested by the Village and confuted in the Cibola County Detention Cater.	Unknown Indefinite	\$54 per day Per inmate	\$14,103	Cibola County	Cibola County
Transit	Village of Milan, City of Grants, Cibola County	Cibola County	To jointly crate and operate a municipal transit authority providing transportation between various points within the City. the Village, the County and surrounding areas.	9/06 to indefinite	The Village is required to contribute 15% of the yearly Operating costs	\$15,027	Village of Milan	Village of Milan
Mt. Taylor Ambulance	Village of Milan, Mt. Taylor Ambulance		Ambulance service	Oct 9,01 to indefinite	12,000 annual	\$12,000	Mt. Taylor	Mt. Taylor
Northwest NM Council of Government	Waste Management, Village of Milan		Region Plan	07-11 to 6/13	13,500 annual	\$13,500	Council of Government	Council of Government
Cibola Regional Communications Center	Village of Milan, Cibola City		911 Service	7/12 to Indefinite	12% of operating	\$50,332	Cibola County	Cibola County
Corley, Valdez Farm Lease	Corley, Valdez, Village of Milan		Crop Share	6/05 to 10/15		None	Village of Milan	Village of Milan
Waste Management of New Mexico	Village of Milan, Waste Management		Solid Waste Service	7/97 to Indefinite	Billed Per Rate Scheduled	\$339,545	Waste Management	Waste Management
Numero UNO DBA Blast-N-Clean	Terminated, Out of Business					None		
Cibola Communities Economic Development	Village of Milan, Cibola Economic Development		Economic Development Service	7/11 to 6/13	44,359 Annual	\$3,369	Economic Development	Economic Development

**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 *Government Auditing Standards***

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

We have audited the accompanying basic financial statements of the governmental activities, 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, 2012, and have issued our report thereon dated November 28, 2012. 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

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

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

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.

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 responses as item 08-01.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's response 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.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
November 28, 2012

VILLAGE OF MILAN, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

08-1 Late Audit Report

Repeated and Modified

VILLAGE OF MILAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

Non Compliance - Late Audit Report
(08-01)

CONDITION	The June 30, 2012 audit report was not submitted by the required deadline of December 1, 2012.
CRITERIA	The Village of Milan audit report should be submitted to the State Auditors Office by the December 1 following the fiscal year-end, according to 2.2.2.9.A(1) of NMAC.
CAUSE	The original audit report was initially submitted to the Office of the State Auditor on December 1, 2012. NMOSA reviewed the audit report and issued a notice of rejection. As additional review took place, the audit submission was delayed.
EFFECT	The Village was not in compliance with the State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2012.
RECOMMENDATION	None.
RESPONSE	The Village of Milan's auditor failed to follow new rules for governmental reporting for this audit. The audit was submitted without compliance to the new rules; therefore the State Auditors Office rejected it. The audit has been corrected and resubmitted.

VILLAGE OF MILAN, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2012

An exit conference was held on December 03, 2012, and attended by the following:

Village of Milan, New Mexico

Vivian Brumbelow, Mayor Pro-Tem
Marcella Sandoval, Village Administrator
Esther Barnes, Payroll Clerk and Human Resources
Thad Porch, In-House Auditor

Harshwal & Company LLP

Sanwar Harshwal, Managing Partner

The financial statements were prepared by Harshwal & Company LLP 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.