

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO  
VILLAGE OF MILAN  
OFFICIAL ROSTER  
JUNE 30, 2013**

**ELECTED OFFICIALS**

Mayor	Thomas Ortega
Mayor Pro-Tem	Vivian Brumbelow
Trustee	Helen Dayan
Trustee	George W. Knotts
Trustee	Ellen Baca

**ADMINISTRATIVE OFFICIALS**

Village Manager	Marcella Sandoval
Village Clerk	Theresa A. Garcia
Payroll Clerk/Human Resources	Esther Barnes

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**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
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**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**

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**FINANCIAL SECTION**

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# Griego Professional Services, LLC

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Hector Balderas, New Mexico State Auditor and  
Village of Milan Council Members  
Milan, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and the statement of assets and liabilities – fiduciary funds of the Village of Milan, New Mexico (the Village), as of and for the year ended June 30, 2013, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each for the Village's nonmajor governmental funds, the budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the Village as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital project fund, debt service fund, fiduciary fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Village's financial statements, and the combining and individual fund financial statements and budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2. NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 other schedules required by 2.2.2 NMAC are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013 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 in considering the Village's internal control over financial reporting and compliance.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, New Mexico  
December 31, 2013

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**BASIC  
FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

Exhibit A-1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,625,090	\$ 1,268,063	\$ 2,893,153
Restricted cash	6	278,075	278,081
Accounts receivable:			
Taxes	451,996	1,740	453,736
Utility billings, net of allowance of \$25,413	-	253,631	253,631
Other receivables	623,974	-	623,974
Interfund receivable	11,955	-	11,955
Capital reserve fund	-	140,000	140,000
Capital assets, net (Note 6)	9,780,003	6,232,776	16,012,779
	<u>12,493,024</u>	<u>8,174,285</u>	<u>20,667,309</u>
<i>Total assets</i>			
<b>LIABILITIES</b>			
Accounts payable	\$ 29,337	\$ 32,286	\$ 61,623
Accrued payroll	40,961	6,472	47,433
Accrued interest	2,354	9,358	11,712
Gross receipts taxes payable	422	6,537	6,959
Interfund payable	-	11,955	11,955
Customer deposits payable	-	103,279	103,279
Noncurrent liabilities (Note 7):			
Due within one year	122,777	162,100	284,877
Due within more than one year	329,124	1,478,215	1,807,339
	<u>524,975</u>	<u>1,810,202</u>	<u>2,335,177</u>
<i>Total liabilities</i>			
<b>NET POSITION</b>			
Net investment in capital assets	9,384,271	4,601,529	13,985,800
Restricted for:			
Special revenues	407,710	-	407,710
Capital projects	585,356	-	585,356
Debt service	90,666	1,487,573	1,578,239
Unrestricted	1,500,046	274,981	1,775,027
	<u>\$ 11,968,049</u>	<u>\$ 6,364,083</u>	<u>\$ 18,332,132</u>
<i>Total net position</i>			

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<i>Governmental activities:</i>				
General government	1,447,958	64,777	279,773	\$ -
Public safety	946,675	56,870	175,474	-
Highways and streets	241,021	-	-	1,110,051
Culture and recreation	506,297	-	-	-
Capital outlay	5,037	-	-	-
Interest on long-term debt	12,779	-	-	-
<i>Total governmental activities</i>	<u>3,159,767</u>	<u>121,647</u>	<u>455,247</u>	<u>1,110,051</u>
<i>Business-type activities:</i>				
Joint Utility	<u>1,479,414</u>	<u>1,723,188</u>	<u>-</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 4,639,181</u>	<u>\$ 1,844,835</u>	<u>\$ 455,247</u>	<u>\$ 1,110,051</u>

*General revenues:*

Taxes

Property taxes, levied for general purpose

Property taxes, levied for debt service

Franchise taxes

Gross receipts taxes

Public service taxes

Interest

Rental

Miscellaneous

Tranfers

*Total general revenues and transfers*

*Changes in net position*

*Net position - beginning of year*

*Net position - end of year*

The accompanying notes are an integral part of these financial statements

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (1,103,408)	\$ -	\$ (1,103,408)
(714,331)	-	(714,331)
869,030	-	869,030
(506,297)	-	(506,297)
(5,037)	-	(5,037)
(12,779)	-	(12,779)
<u>(1,472,822)</u>	<u>-</u>	<u>(1,472,822)</u>
-	243,774	243,774
<u>(1,472,822)</u>	<u>243,774</u>	<u>(1,229,048)</u>
195,335	-	195,335
55,268	-	55,268
74,362	-	74,362
1,919,852	49,392	1,969,244
203,092	-	203,092
1,901	1,178	3,079
24,579	-	24,579
92,698	12,877	105,575
236,404	(236,404)	-
<u>2,803,491</u>	<u>(172,957)</u>	<u>2,630,534</u>
1,330,669	70,817	1,401,486
<u>10,637,380</u>	<u>6,293,266</u>	<u>16,930,646</u>
<u>\$ 11,968,049</u>	<u>\$ 6,364,083</u>	<u>\$ 18,332,132</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	General Fund 101	Co-Op Street Improvement 399	Nonmajor Governmental Funds	Total Primary Government
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 1,161,228	\$ 3,824	\$ 460,044	\$ 1,625,096
Accounts receivable:				
Taxes	406,370	-	45,626	451,996
Other receivables	27,425	596,549	-	623,974
Due from other funds	15,768	-	-	15,768
<i>Total assets</i>	<u>\$ 1,610,791</u>	<u>\$ 600,373</u>	<u>\$ 505,670</u>	<u>\$ 2,716,834</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ 12,869	\$ 15,017	\$ 1,451	\$ 29,337
Accrued payroll	38,931	-	2,030	40,961
Accrued GRT tax	422	-	-	422
Due to other funds	-	-	3,813	3,813
<i>Total liabilities</i>	<u>52,222</u>	<u>15,017</u>	<u>7,294</u>	<u>74,533</u>
<i>Fund balances:</i>				
Restricted for:				
Special revenue	-	-	498,376	498,376
Capital projects	-	585,356	-	585,356
Assigned	-	-	-	-
Unassigned	1,558,569	-	-	1,558,569
<i>Total fund balances</i>	<u>1,558,569</u>	<u>585,356</u>	<u>498,376</u>	<u>2,642,301</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,610,791</u>	<u>\$ 600,373</u>	<u>\$ 505,670</u>	<u>\$ 2,716,834</u>

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

Exhibit B-1

	Governmental Funds
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 2,642,301
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	9,780,003
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:	
Accrued interest	(2,354)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(56,169)
General obligation bonds	-
Notes payable	(395,732)
Net position - total governmental activities	\$ 11,968,049

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund 101	Co-Op Street Improvement 399	Nonmajor Governmental Funds	Total Primary Government
<i>Revenues:</i>				
Taxes	\$ 2,189,549	\$ -	\$ 258,360	\$ 2,447,909
State grants	279,773	1,110,051	175,474	1,565,298
Licenses and fees	25,801	-	56,870	82,671
Charges for services	38,976	-	-	38,976
Interest	1,593	164	144	1,901
Rental	24,579	-	-	24,579
Miscellaneous	92,698	-	-	92,698
<i>Total revenues</i>	<u>2,652,969</u>	<u>1,110,215</u>	<u>490,848</u>	<u>4,254,032</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	1,351,930	9	2,708	1,354,647
Public safety	714,723	-	119,401	834,124
Highways and streets	-	-	86,971	86,971
Culture and recreation	420,612	-	-	420,612
Capital outlay	232,909	1,141,462	115,451	1,489,822
<i>Debt service:</i>				
Principal	-	-	124,505	124,505
Interest	-	-	10,795	10,795
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>2,720,174</u>	<u>1,141,471</u>	<u>459,831</u>	<u>4,321,476</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(67,205)</u>	<u>(31,256)</u>	<u>31,017</u>	<u>(67,444)</u>
<i>Other financing sources (uses):</i>				
Bond proceeds	-	-	-	-
Transfers in (out)	(60,714)	337,118	(40,000)	236,404
<i>Total other financing sources (uses)</i>	<u>(60,714)</u>	<u>337,118</u>	<u>(40,000)</u>	<u>236,404</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	(127,919)	305,862	(8,983)	168,960
<i>Fund balances - beginning of year</i>	<u>1,686,488</u>	<u>279,494</u>	<u>507,359</u>	<u>2,473,341</u>
<i>Fund balances - end of year</i>	<u>\$ 1,558,569</u>	<u>\$ 585,356</u>	<u>\$ 498,376</u>	<u>\$ 2,642,301</u>

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

**STATE OF NEW MEXICO**

Exhibit B-2

VILLAGE OF MILAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 168,960
<p>Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.</p>	
Depreciation expense	(431,163)
Capital outlay	1,484,785
<p>The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>	
Increase in accrued interest payable	(2,354)
Increase in accrued compensated absences	(14,064)
Principal payments on bonds	124,505
Change in net position - total governmental activities	\$ 1,330,669

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

## STATE OF NEW MEXICO

Exhibit B-3

## VILLAGE OF MILAN

## GENERAL FUND (101)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 2,234,000	\$ 1,966,000	\$ 2,158,959	\$ 192,959
State grants	309,000	343,000	268,142	(74,858)
Licenses and fees	22,750	22,750	22,294	(456)
Charges for services	40,000	40,000	38,976	(1,024)
Interest	3,000	3,000	1,593	(1,407)
Rental	25,000	26,000	24,579	(1,421)
Miscellaneous	43,800	43,800	80,411	36,611
<i>Total revenues</i>	<u>2,677,550</u>	<u>2,444,550</u>	<u>2,594,954</u>	<u>150,404</u>
<i>Expenditures:</i>				
Current:				
General government	1,648,947	1,680,547	1,440,074	240,473
Public safety	872,249	872,199	714,723	157,476
Highways and streets	-	-	-	-
Culture and recreation	600,161	602,061	440,296	161,765
Capital outlay	167,800	167,350	112,962	54,388
Debt service:				
Principal	-	-	-	-
Interest	1,000	1,000	-	1,000
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>3,290,157</u>	<u>3,323,157</u>	<u>2,708,055</u>	<u>615,102</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(612,607)</u>	<u>(878,607)</u>	<u>(113,101)</u>	<u>765,506</u>
<i>Other financing sources (uses):</i>				
Designated cash	642,607	908,607	-	(908,607)
Bond proceeds	-	-	-	-
Transfers in (out)	(30,000)	(30,000)	(60,714)	(30,714)
<i>Total other financing sources (uses)</i>	<u>612,607</u>	<u>878,607</u>	<u>(60,714)</u>	<u>(939,321)</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(173,815)</u>	<u>\$ (173,815)</u>
<i>Fund balances - beginning of year</i>			<u>1,350,811</u>	
<i>Fund balances - end of year</i>			<u>\$ 1,176,996</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net change in fund balances</i>			\$ (173,815)	
Adjustments to revenues			58,015	
Adjustments to expenditures			(12,119)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (127,919)</u>	

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



**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

Exhibit C-1

	<u>Joint Utility</u> <u>506</u>
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 1,268,063
Restricted cash	278,075
Accounts receivable:	
Taxes	1,740
Utility, net of allowance of \$25,413	253,631
Capital reserve fund	<u>140,000</u>
<i>Total current assets</i>	<u>1,941,509</u>
 <i>Noncurrent assets:</i>	
Capital assets, net (Note 6)	<u>6,232,776</u>
<i>Total assets</i>	<u>8,174,285</u>
 <b>LIABILITIES</b>	
<i>Current liabilities:</i>	
Accounts payable	32,286
Accrued payroll	6,472
Accrued interest	9,358
Gross receipts taxes payable	6,537
Due to other funds	11,955
Customer deposits payable	<u>103,279</u>
<i>Total current liabilities</i>	<u>169,887</u>
 <i>Noncurrent liabilities (Note 7):</i>	
Due within one year	162,100
Due within more than one year	<u>1,478,215</u>
<i>Total noncurrent liabilities</i>	<u>1,640,315</u>
<i>Total liabilities</i>	<u>1,810,202</u>
 <b>NET POSITION</b>	
Net investment in capital assets	4,754,561
Restricted for debt service	1,487,573
Unrestricted	<u>121,949</u>
<i>Total net position</i>	<u>\$ 6,364,083</u>

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit C-2

	<u>Joint Utility</u> <u>506</u>
<i>Operating revenues:</i>	
Taxes	\$ 49,392
Charges for services	1,723,188
Miscellaneous income	<u>12,877</u>
<i>Total operating revenues</i>	<u>1,785,457</u>
 <i>Operating expenses:</i>	
Operating expenses	1,254,331
Capital outlay	(119,051)
Depreciation expense	<u>274,931</u>
<i>Total operating expenses</i>	<u>1,410,211</u>
 <i>Net operating income</i>	<u>375,246</u>
 <i>Nonoperating revenues (expenses):</i>	
Bond proceeds	-
Interest expense	(69,203)
Interest income	<u>1,178</u>
<i>Total non-operating expenses</i>	<u>(68,025)</u>
 <i>Income before transfers</i>	307,221
 <i>Operating transfers in (out)</i>	
Net transfers	<u>(236,404)</u>
 <i>Changes in net position</i>	70,817
 <i>Net position, beginning of year</i>	<u>6,293,266</u>
 <i>Net position, end of year</i>	<u><u>\$ 6,364,083</u></u>

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit C-3

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 1,810,871
Cash paid to suppliers and employees	(1,152,618)
<i>Net cash provided by capital financing activities</i>	658,253
 <i>Cash flows used for noncapital financing activities:</i>	
Cash paid to other funds	(224,449)
 <i>Cash flows from capital financing activities:</i>	
Acquisition and construction of capital assets	(181,368)
Principal payments on notes	(155,377)
Interest payments on notes	(70,534)
<i>Net cash used for capital financing activities</i>	(407,279)
 <i>Cash flows provided by investing activities:</i>	
Interest received	1,178
<i>Net increase in cash and cash equivalents</i>	27,703
<i>Cash and cash equivalents - beginning of year</i>	1,518,435
<i>Cash and cash equivalents - end of year</i>	\$ 1,546,138
 <i>Reconciliation of operating income to net cash provided by operating activities:</i>	
Operating income	\$ 375,246
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	274,931
Decrease in accounts receivable	28,420
Decrease in accounts payable	(27,763)
Decrease in gross receipts tax payable	(8,016)
Increase in accrued payroll	6,472
Increase in customer deposits	5,010
Increase in compensated absences	3,953
<i>Net cash provided by operating activities</i>	\$ 658,253

**Summary of Significant Noncash Activities:**

There was no significant noncash activity during the year ended June 30, 2013.

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2013**

Statement D-1

	Police Bonds
	706
	<hr/>
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash and cash equivalents	<hr/> \$ 8,623
<i>Total assets</i>	<hr/> <hr/> \$ 8,623
<b>LIABILITIES AND FUND BALANCES</b>	
<i>Current liabilities:</i>	
Due to other entitites	<hr/> \$ 8,623
<i>Total liabilities</i>	<hr/> <hr/> \$ 8,623

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. Summary of Significant Accounting Policies**

The Village of Milan (the “Village”) was incorporated under provisions Chapter 3, Article 2, NMSA 1978. The Village operates under 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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Village’s accounting policies are described below.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements. The Village implemented the provisions of GASB No.’s 34, 37, and 38 effective July 1, 2002.

A. *Financial Reporting Entity*

GASB Statement No. 14, *The Financial Reporting Entity*, established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another government entity, determine or modify its own budget, or set rates or charges, and issue bonded debt. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB no. 14 and No. 39, *Determining Whether Certain Organizations are Component Units*.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of the public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Village has no component units, as defined by GASB Statement No. 14 and/or GASB Statement No. 39. There are no other primary governments with which the Village is financially accountable.

The primary government of the Village of Milan includes all funds and functions which are under the Village’s control and responsibility and which are included in the Village’s reports to the Local Government Division of the Department of Finance and Administration.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*B. Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the combining fund financial statements.

*C. Measurement focus, basis of accounting, and financial statement presentation*

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model: Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position.

***Deferred outflows of resources*** – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

***Deferred inflows of resources*** – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

***Net position*** – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported in three parts – net investment in capital assets, restricted, and unrestricted.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues, expenses, gains, losses, assets and liabilities, and deferred inflows and outflows of resources, resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities, and deferred inflows and outflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*C. Measurement focus, basis of accounting, and financial statement presentation (continued)*

Governmental fund 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 due.

The Village follows FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statement, subject to the same limitation. The Village has elected not to apply subsequent private-sector guidance.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

*Agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used Accounts for assets that the Village holds for others in an agency capacity.

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. The Village's governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include costs associated with the daily operation of the Village except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*C. Measurement focus, basis of accounting, and financial statement presentation (continued)*

The *Proprietary Funds* are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Village's fiduciary funds are used to account for the receipt and disbursement of bond funds collected through the Municipal Judicial System and held for refund or conversion to pay for fines and fees.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund).

The *Co-Op Street Improvements Capital Project Fund* is used to account for costs associated with the improvements to Village streets. Funding is primarily received through cooperative agreements with the State of New Mexico Highway and Transportation Department.

The Village also reports the following major proprietary funds:

The *Joint Utility Enterprise Fund* accounts for the provision of water, wastewater, 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned as reported in the Statement of Activities.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues are categorized as (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, (b) program-specific operating grants, which includes revenues received from federal and state sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among programs revenues.

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.



**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*C. Measurement focus, basis of accounting, and financial statement presentation (continued)*

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Principal operating revenues of the Solid Waste and Ambulance funds are charges to the customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

*D. Assets, Liabilities and Net Position*

**Cash & Cash Equivalents:** The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, and short-term investments (i.e., certificates of deposit) with original maturities of three months or less from the date of acquisition. Cash deposits are reported at carrying amount, which reasonably estimates fair market value.

**Investments:** The Village does not have an investment police, but funds are invested in accordance with 1978 NMSA 6-10-36, NMSA, which authorizes the Village to invest in Certificates of Deposit, obligations of the U.S. Government, money markets whose portfolios consist entirely of US Government Securities or agencies sponsored by the US Government, and the State Treasurer's Local Government Investment Pool (LGIP).

Investments are reported at fair market value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting funds and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, property taxes are recorded as revenue when levied net of estimated refunds and uncollectible amounts.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10<sup>th</sup> and April 10<sup>th</sup>. Property taxes uncollected after November 10<sup>th</sup> and April 10<sup>th</sup> are considered delinquent and the village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Cibola County and remitted monthly to the Village.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position (continued)*

**Receivables and Payables (continued)**

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

**Inventory:** Inventory is accounted for on a first in first out method under the consumption method. Inventory for the Village is valued at cost.

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year per section 12-6-10 NMSA 1978. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Because the Village is a Phase III government for purposes of implementing GASB 34, it is not required to retroactively report its major general infrastructure assets. However, it must report all infrastructure assets purchased or built after July 1, 2003. Information Technology Equipment including computer software is included as a capital asset and recorded with furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9C(5). 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. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	40
Equipment	3 - 10
Vehicles	5 - 8
Infrastructure	50
Software	3 - 5
Machinery & Equipment	3-30
Underground Plan	30 – 33 ½
Shared Plant	30
Heavy Equipment	15
Wells	33 ½

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2013, along with applicable Public Employees Retirement Association, (PERA), FICA, Medicare, and Retiree Health Care contributions.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position (continued)*

**Deferred Revenues:** The Village recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as deferred revenues in the governmental fund financial statements. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 60 days after year end.

**Compensated Absences:** Village employees accrue annual and sick leave each pay period. Annual leave is accrued based on years of service and employment classification. The schedule is as follows:

<u>Service Years</u>	<u>Full-time Employees</u>	<u>Part-time Employees</u>
1	80 Hours	40 Hours
2 -5	96 Hours	40 Hours
6 – 10	120 Hours	40 Hours
11	144 Hours	40 Hours

Employees may accumulate up to 200 hours of annual leave. Upon termination an employee will be paid for all accrued annual leave at 100% of their pay rate.

Sick leave is accrued at a rate of six (6) hours per month for full-time employees and three (3) hours per month for part-time employees. An employee is allowed to accrue up to 240 hours of sick leave. Upon termination an employee is not paid for accrued sick leave.

Compensated absences have been liquidated by the General Fund in prior years.

**Long-term Obligations:** In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Prepaid insurance purchased through bond issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or the straight line method if the difference from using the effective method is inconsequential. Bond premiums, discounts, and bond issue costs are expensed in the year of issuance. For fund financial reporting, bond premiums, discounts, as well as issuance costs, are recognized in the period bonds are issued. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**Fund Equity:** Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of fund balances is presented in Note 19.

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. *Investment in Capital Assets* which is the net amount of the cost of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted* which consists of equity with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*E. Assets, Liabilities and Net Position (continued)*

- c. *Unrestricted* is the balance of all other equity that does not meet the definition of “restricted” or “investment in capital assets.”

The Village’s policy is to apply restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted net position is available. The Government-wide Statement of New Position reports \$1,083,732 of restricted net position in which \$407,710 is attributed to grant restrictions, \$585,356 is restricted to construction projects, and \$90,666 is restricted due to enabling legislation.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Villages’s financial statements include management’s estimate of the useful lives of capital assets.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

Annual budgets of the Village are prepared prior to June 1 and must be approved by resolution of the Village Trustees and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Trustees and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total at the fund level.

These budgets are prepared on the non-GAAP budgetary basis. Budgeted expenditures exclude encumbrances. The budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects, and Proprietary Funds.

The Village is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Village’s legal level of control is at the expenditure function.

The accompanying Statements of Revenues, Expenditures/Expenses and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2013 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements prepared on the GAAP basis by fund can be found on each individual fund’s budgetary statement.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3. Deposits**

**Cash and Cash Equivalents**

State statutes authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Village properly followed State investment requirements as of June 30, 2013.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation (FDIC), 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. Additionally, until December 31, 2012, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) are fully guaranteed, regardless of dollar amount.

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 a least one half of the amount on deposit with the institution.

	<u>Wells Fargo Bank</u>	<u>Grants State Bank</u>	<u>US Bank</u>	<u>Total</u>
Total amounts of deposits*	\$ 75,518	\$ 2,538,398	\$ 395,141	\$ 3,009,057
FDIC coverage	<u>(75,518)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(575,518)</u>
Total uninsured public funds**	<u>\$ 0</u>	<u>\$ 2,288,398</u>	<u>\$ 145,141</u>	<u>\$ 2,433,539</u>
Collateral requirement (50% of uninsured public funds)	\$ 0	\$ 1,144,199	\$ 72,571	\$ 1,216,770
Pledged collateral held by pledging bank's trust department or by agent in Village's name**	<u>(0)</u>	<u>(1,188,244)</u>	<u>(118,906)</u>	<u>(1,307,150)</u>
Total under (over) collateralized	<u>\$ (0)</u>	<u>\$ (44,045)</u>	<u>\$ (46,335)</u>	<u>\$ (90,380)</u>

\* - Total amount of deposits per bank includes deposit accounts and certificates of deposit.

\*\* Uninsured/Unpledged funds      \$ 0      \$ 1,100,154      \$ 26,235      \$ 1,126,398

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**NOTE 3. Deposits**

**Cash and Cash Equivalents (continued)**

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2013, \$1,126,389 of \$3,009,057 was exposed to custodial credit risk because it was uninsured and the uncollateralized at June 30, 2013.

**Investments**

All investments are government securities whose fair market value approximates face value plus any accrued interest. The Village had no investments that were highly sensitive to changes in interest rates. The Villages's policy related to investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978)

As of June 30, 2013 the Village had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity of Less than 1 Year</u>
NMFA Trust Accounts	\$ 278,081	\$ 278,081

New Mexico Finance Authority (NMFA) Trust Accounts are funds held by the Bank of Albuquerque in connection with loans that were obtained by the Village through NMFA's lending program.

**NOTE 4. Receivables**

Receivables as of June 30, 2013, are as follows:

	<u>General Fund</u>	<u>Co-Op Street Improvement Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 406,370	\$ 0	\$ 45,626	\$ 451,996
Intergovernmental	527,425	596,549	0	623,974
Net Receivables	<u>\$ 433,795</u>	<u>\$ 596,549</u>	<u>\$ 45,626</u>	<u>\$ 1,075,970</u>

The above receivables are deemed 100% collectible.

**NOTE 5. Interfund Receivables, Payables, and Transfers**

Receivables and payables from interfund transactions as of June 30, 2013 are listed below. The majority of interfund balances were affected or created due to cash overdrafts and a few other balances are either carried forward from the prior year or were created when expenditures were inadvertently recorded in the incorrect fund and later adjusted to the correct fund.

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
Major Funds		
General Fund	\$ 0	\$ 15,768
Joint Utility Enterprise Fund	11,955	0
Total Major Funds	11,955	15,768
Nonmajor Fund		
Streets Special Revenue Fund	3,813	0
Total Primary Government	<u>\$ 15,768</u>	<u>\$ 15,768</u>

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**NOTE 5. Interfund Receivables, Payables, and Transfers (continued)**

Net operating transfers made to close out funds, to supplement other funding sources, and to repay previous transfers were as follows:

Transfers from the General Fund to:	
Co-Op Street Improvement Capital Project Fund	\$ 60,714
Transfers from the Joint Utility Enterprise Fund to:	
Co-Op Street Improvement Capital Project Fund	<u>236,404</u>
Total Transfers	<u>\$ 297,118</u>

Upon conversion from the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities, interfund governmental activity is eliminated and results in a remaining transfer of \$236,404 from the Joint Utility Fund (Business-type Activity) to the Co-Op Street Improvement Fund (Governmental Activity).

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows.

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Governmental Activities</b>				
<i>Capital assets not depreciated</i>				
Land	\$ 654,006	\$ 10,706	\$ 0	\$ 664,712
Construction in Progress	<u>0</u>	<u>29,946</u>	<u>0</u>	<u>29,946</u>
Total not being depreciated	<u>654,006</u>	<u>40,651</u>	<u>0</u>	<u>694,657</u>
<i>Capital assets being depreciated</i>				
Buildings and Improvements	5,208,802	18,684	0	5,227,486
Infrastructure	4,577,977	1,326,429	0	5,904,406
Furniture and Equipment	1,011,042	56,248	0	1,067,290
Vehicles	<u>1,030,894</u>	<u>42,772</u>	<u>0</u>	<u>1,073,666</u>
Total being depreciated	<u>11,828,715</u>	<u>1,444,133</u>	<u>0</u>	<u>13,272,848</u>
Total capital assets	<u>12,482,721</u>	<u>1,484,784</u>	<u>0</u>	<u>13,967,505</u>
<i>Less: accumulated depreciation</i>				
Buildings and Improvements	(2,129,532)	(107,146)	0	(2,236,678)
Infrastructure	(298,624)	(140,031)	0	(438,655)
Furniture and Equipment	(910,372)	(31,633)	0	(942,005)
Vehicles	<u>(417,812)</u>	<u>(152,352)</u>	<u>0</u>	<u>(570,164)</u>
Total accumulated depreciation	<u>(3,756,340)</u>	<u>(431,163)</u>	<u>0</u>	<u>(4,187,503)</u>
<i>Net capital assets</i>	<u>\$ 8,726,381</u>	<u>\$ 1,053,622</u>	<u>\$ 0</u>	<u>\$ 9,780,003</u>

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**NOTE 6. Capital Assets (continued)**

Depreciation expense for the year ended June 30, 2013 was charged to governmental activities as follows:

General Government	\$	78,877
Public Safety		112,550
Highways and Streets		154,050
Culture and Recreation		<u>85,685</u>
Total	\$	<u><u>431,162</u></u>

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Business-type Activities</b>				
<i>Capital assets not depreciated</i>				
Land	\$ 927,000	\$ 0	\$ 0	\$ 927,000
Water Rights	1,413,000	0	0	1,413,000
Construction in Progress	<u>0</u>	<u>12,555</u>	<u>0</u>	<u>12,555</u>
Total not being depreciated	<u>2,340,000</u>	<u>12,555</u>	<u>0</u>	<u>2,352,555</u>
<i>Capital assets being depreciated</i>				
Buildings and Improvements	131,057	0	0	131,057
Plant and System	8,392,340	102,565	0	8,494,905
Furniture and Equipment	989,184	37,531	0	1,026,715
Vehicles	<u>0</u>	<u>28,718</u>	<u>0</u>	<u>28,718</u>
Total being depreciated	<u>9,512,581</u>	<u>168,814</u>	<u>0</u>	<u>9,681,395</u>
Total capital assets	<u>11,852,581</u>	<u>181,369</u>	<u>0</u>	<u>12,033,950</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(60,415)	(3,045)	0	(63,460)
Plant and System	(4,711,459)	(221,874)	0	(4,933,333)
Furniture and Equipment	(754,369)	(46,662)	0	(801,031)
Vehicles	<u>(0)</u>	<u>(3,350)</u>	<u>0</u>	<u>(3,350)</u>
Total accumulated depreciation	<u>(5,526,243)</u>	<u>(274,931)</u>	<u>0</u>	<u>(5,801,174)</u>
<i>Net capital assets</i>	<u>\$ 6,326,338</u>	<u>\$ (93,562)</u>	<u>\$ 0</u>	<u>\$ 6,232,776</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2013 was \$274,931.

**NOTE 7. Long-term Debt**

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 182,000	\$ 0	\$ 92,000	\$ 90,000	\$ 90,000
Notes payable	<u>338,237</u>	<u>0</u>	<u>32,505</u>	<u>305,732</u>	<u>32,777</u>
Subtotal	520,237	0	124,505	395,732	122,777
Compensated Absences	<u>42,105</u>	<u>54,568</u>	<u>40,504</u>	<u>56,169</u>	<u>0</u>
Total Long-Term Debt	<u>\$ 562,342</u>	<u>\$ 54,568</u>	<u>\$ 165,009</u>	<u>\$ 451,901</u>	<u>\$ 122,777</u>



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**NOTE 7. Long-term Debt (continued)**

Interest expense, including administrative fees, paid on long-term debt for governmental activities totaled \$10,795 for the year ended June 30, 2013.

**Bonds Payable:** At June 30, 2013, the Village had the following bonds outstanding:

**2002 General Obligation Bonds (G.O. Bonds)**

On June 20, 2002, the Village Trustees approved Ordinance No. 193 authorizing the issuance of the Series 2002 G.O. Refunding Bonds in the amount of \$690,000. The purpose of the issuance was to refund the callable portion on the Series 1992 G.O. Bonds and the callable portions of the Series 1994 G.O. Bonds.

The Series 2002 G.O. Refunding Bonds are payable in annual installments on August 1<sup>st</sup> and interest is payable August 1<sup>st</sup> and February 1<sup>st</sup> at rates ranging from 1.97% to 4.52% per annum. Principal and interest (including a \$340 administrative fee) paid for the current year were \$92,000 and \$6,446, respectively. The annual requirements to amortize the bonds payable as of June 30, 2013, including interest payments are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 90,000	\$ 2,037	\$ 92,037

**Notes Payable:** At June 30, 2013, the Village had the following notes outstanding:

**New Mexico Finance Authority (NMFA) Loans**

The Village entered into a loan agreement with NMFA on August 16, 2002 to purchase a fire pumper/tanker. The Village pledged revenue derived from its annual State Fire Allotment to cover the debt service. The revenue is subject to an intercept agreement. Principal and interest (including a \$30 administrative fee) paid for the current year were \$12,080 and \$229, respectively. At year-end the note payable had been paid in full.

The Village entered into an additional loan agreement with NMFA on April 4, 2012 for the principal amount of \$326,157. The proceeds from the note were used to purchase and equip two fire trucks. The term of the note is for 10 years and bears an interest rate of 1.535%. In addition, the Village's Annual State Fire Allotment is pledged as repayment for the loan and the annual debt service payment is intercepted in July of each fiscal year. Principal and interest paid for the current year were \$20,425 and \$4,120, respectively. The annual requirements to amortize the note payable as of June 30, 2013, including interest payments are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 32,777	\$ 3,955	\$ 36,732
2015	32,902	3,830	36,732
2016	33,093	3,639	36,732
2017	33,370	3,361	36,731
2018	33,691	3,041	36,732
2019 – 2022	139,899	7,028	146,927
	<u>\$ 305,732</u>	<u>\$ 24,854</u>	<u>\$ 330,586</u>

**Defeased Debt:** In prior years, the Village defeased their Series 2002 G.O. 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, 2013, \$690,000 of bonds outstanding are considered defeased.

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**NOTE 7. Long-term Debt (continued)**

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
<b>Business-Type Activities</b>					
Notes Payable	\$ 1,786,623	\$ 0	\$ 155,376	\$ 1,631,247	\$ 162,100
Compensated Absences	<u>5,115</u>	<u>13,121</u>	<u>9,168</u>	<u>9,068</u>	<u>0</u>
Total Long-Term Debt	<u>\$ 1,791,738</u>	<u>\$ 13,121</u>	<u>\$ 164,544</u>	<u>\$ 1,640,315</u>	<u>\$ 162,100</u>

Interest expense paid on long-term debt for business-type activities totaled \$74,503 (including an administrative fee of \$4,039) for the year ended June 30, 2013.

**Notes Payable:** At June 30, 2013, the Village had the following notes outstanding:

**City of Grants**

During 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. At closing the Village made a down payment of \$850,000 and is making monthly debt service payments of \$3,083. The note matures in December 2018. Principal and interest paid for the current year were \$26,805 and \$10,195, respectively. The annual requirements to amortize the note payable as of June 30, 2013, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	18,247	344	18,591
	<u>\$ 144,370</u>	<u>\$ 22,221</u>	<u>\$ 166,591</u>

**New Mexico Finance Authority (NMFA) Loan**

The Village's Joint Utility Enterprise Fund has entered into a loan agreement pursuant to Ordinance No. 200 dated August 4, 2003 between the Village and NMFA. The proceeds of the note were used to acquire land and appurtenant water rights. The principal amount of the note 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 on the note is at 3.792%, which includes a 0.25% administrative fee. Interest and principal payments are due May 1<sup>st</sup> and November 1<sup>st</sup> of each year. The note matures on May 1, 2023. The note is collateralized by the Village's gross receipts tax. Principal and interest (including a \$4,039 administrative fee) paid for the current year were \$128,642 and \$60,269, respectively. The annual requirements to amortize the note payable as of June 30, 2013, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest and Admin Fee	Total Debt Service
2014	\$ 133,526	\$ 59,863	\$ 193,389
2015	137,421	55,114	192,535
2016	141,517	50,086	191,603
2017	144,388	44,763	189,151
2018	148,791	39,183	187,974
2019 – 2023	781,234	102,935	884,169
	<u>\$ 1,486,877</u>	<u>\$ 351,944</u>	<u>\$ 1,838,821</u>

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**NOTE 8. 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.

Ordinance No. 194 was approved on November 21, 2002 by 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 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, 2013, the management of NWNMRSWA and the Village do not anticipate any additional significant liability to the Village for closure/post closure costs.

**NOTE 9. 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; injuries and natural disasters for which the Village carries commercial insurance. The Village participates in the New Mexico Self-Insurer's Fund for workers' compensation claims and employer's 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.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurer's Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage has not changed significantly from prior years and coverage is expected to be continued.

At June 30, 2013, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against Village of Milan.

New Mexico Self-Insurer's Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and prior fiscal year.

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 Government-wide Statement of Net Position because it is not expected to be liquidated with expendable available financial resources.

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**NOTE 10. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

- A. *Deficit fund balance of individual funds:* None of the Village's funds maintained a deficit fund balance as of June 30, 2013.
- B. *Excess of expenditures over appropriations:* None of the Village's funds exceeded approved budgetary authority for the year ended June 30, 2013:
- C. *Designated cash appropriation in excess of available cash balances:* There were no funds which exceeded designated cash appropriations for the year ended June 30, 2013.

**NOTE 11. Pension Plan – Public Employees Retirement Association (PERA)**

*Plan Description.* Substantially all of the Village of Milan'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 Employee 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 for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 7.00% (regular and law enforcement) of their gross salary. The Village is required to contribute 7.00% (regular) and 10.00% (law enforcement) of the gross covered salary. The contribution requirements of plan members and the Village are established in State statute 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 fiscal years ending June 30, 2013, 2012, and 2011 were \$92,067, \$89,013, and \$83,872, respectively, which equals the amount of the required contributions for each fiscal year.

**NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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**NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended **June 30, 2013**, the statute required each participating employer to contribute **2.0%** of each participating employee's annual salary; each participating employee was required to contribute **1.0%** of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Village's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$23,856, \$20,588, and \$6,403, respectively, which equals the required contributions for each year.

**NOTE 13. 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. The following is the excerpt from the agreement:

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**NOTE 13. Arbitration Agreement and Partial Settlement with the City of Grants (continued)**

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 14. Contingent Liabilities**

The Village is exposed to various claims and lawsuits in the normal course of business. Management and the Villages' Manager are unaware of any material pending or threatened litigation, claims, or assessments against the Village which are not covered by the Village's insurance.

**NOTE 15. State Grants**

In the normal course of operations, the Village receives grant funds from various state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 16. Subsequent Accounting Standard Pronouncements**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for financial statement for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. While these elements were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption and acquisition of net position by the government that is applicable to a future reporting period, respectively, these elements have not been included in previous reporting guidance.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for financial statement for periods beginning after December 15, 2012. The Commission has decided to implement this Statement early. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 17      Prior Period Adjustments**

A prior period adjustment was not need in order to implement GASB Statement No. 63 (see Note 16), a change in accounting principle. The Village did not have any assets or liabilities that qualified to be reclassified as deferred inflows and/or outflows of resources.

**NOTE 18.      Joint Powers Agreements**

The Village is partnered with many agencies in several joint powers agreements. The details of each of these agreements can be found at Schedule IV on pages 58 - 61 of this report.

**NOTE 19      Governmental Fund Balance**

**Fund Balance:** In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

*Nonspendable:* Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted:* Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed:* Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

*Assigned:* Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

*Unassigned:* Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 19      Governmental Fund Balance (continued)**

Detail relating to the fund balance classifications is displayed below:

	General	Co-Op Street	Nonmajor	Total
	Fund	Improvement	Governmental	Primary
	Fund	Fund	Funds	Government
<b>Fund Balances:</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted:				
Capital Projects	-	-	72,220	72,220
Debt Service	-	-	90,666	90,666
Public Safety	-	-	108,546	108,546
Roadways	-	585,356	180,720	766,076
Recreation	-	-	23,196	23,196
Promotion	-	-	23,028	23,028
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,558,569	-	-	1,558,569
<i>Total fund balances</i>	<u>\$ 1,558,569</u>	<u>\$ 585,356</u>	<u>\$ 498,376</u>	<u>\$ 2,642,301</u>



**SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

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**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

Statement A-1

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 384,526	\$ 75,518	\$ 460,044
Accounts receivable:			
Taxes	30,478	15,148	45,626
Other receivables	-	-	-
Due from other funds	-	-	-
	<u>\$ 415,004</u>	<u>\$ 90,666</u>	<u>\$ 505,670</u>
 <i>Total assets</i>			
	<u>\$ 415,004</u>	<u>\$ 90,666</u>	<u>\$ 505,670</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ 1,451	\$ -	\$ 1,451
Accrued payroll	2,030	-	2,030
Due to other funds	3,813	-	3,813
	<u>7,294</u>	<u>-</u>	<u>7,294</u>
<i>Total liabilities</i>			
	<u>7,294</u>	<u>-</u>	<u>7,294</u>
 <i>Fund balances:</i>			
Nonspendable	-	-	-
Restricted	407,710	90,666	498,376
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
	<u>407,710</u>	<u>90,666</u>	<u>498,376</u>
<i>Total fund balances</i>			
	<u>407,710</u>	<u>90,666</u>	<u>498,376</u>
 <i>Total liabilities and fund balances</i>			
	<u>\$ 415,004</u>	<u>\$ 90,666</u>	<u>\$ 505,670</u>

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

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## STATE OF NEW MEXICO

Statement A-2

## VILLAGE OF MILAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
<i>Revenues:</i>			
Taxes	\$ 203,092	\$ 55,268	\$ 258,360
State grants	175,474	-	175,474
Licenses and fees	56,870	-	56,870
Charges for services	-	-	-
Interest	144	-	144
Rental	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>435,580</u>	<u>55,268</u>	<u>490,848</u>
<i>Expenditures:</i>			
Current:			
General government	2,471	237	2,708
Public safety	119,401	-	119,401
Highways and streets	86,971	-	86,971
Culture and recreation	-	-	-
Capital outlay	115,451	-	115,451
Debt service:			
Principal	32,505	92,000	124,505
Interest	4,349	6,446	10,795
Bond issuance costs	-	-	-
<i>Total expenditures</i>	<u>361,148</u>	<u>98,683</u>	<u>459,831</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>74,432</u>	<u>(43,415)</u>	<u>31,017</u>
<i>Other financing sources (uses):</i>			
Bond proceeds	-	-	-
Transfers in (out)	(40,000)	-	(40,000)
<i>Total other financing sources (uses)</i>	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	34,432	(43,415)	(8,983)
<i>Fund balances - beginning of year</i>	<u>373,278</u>	<u>134,081</u>	<u>507,359</u>
<i>Fund balances - end of year</i>	<u>\$ 407,710</u>	<u>\$ 90,666</u>	<u>\$ 498,376</u>

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

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**NONMAJOR SPECIAL REVENUE FUNDS**

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## NONMAJOR SPECIAL REVENUE FUNDS

### **Corrections Fund**

Established additional sources of funds for municipalities to offset the costs of corrections. The source of funds is a \$5 (five dollar) fee which must be paid by all persons violating laws relating to the operation of motor vehicles. This fund is authorized by 33-9-3 NMSA 1978.

### **Fire Protection Fund**

Accounts 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 59-A-53-1 NMSA 1978.

### **Law Enforcement Grant Fund**

Accounts for the expenditures of the Village's annual allotment of the State of New Mexico's Law Enforcement Protection Fund. Expenditures can be used for training, equipment, and capital outlay for law enforcement. Authority is 29-13-4 NMSA 1978.

### **Lodger's Tax Reserve Fund**

Account for collections received through a specific tax levy on area motels and hotels. Expenditures can be used for cultural and recreational activities. Authority is 3-38-14 NMSA 14978.

### **Street Fund**

Accounts for funds used to maintain roads 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 State of New Mexico Highway Department's Cooperative Agreement Grant per 67-3-28 NMFA 1978. Expenditures are restricted for the purpose of construction, reconstruction, resurfacing, and other improvement of public roads, streets, alleys, and bridges, including right-of-way acquisition.

### **Recreation Fund**

Accounts for the operations of the Village's recreational facilities and programs. Financing is provided by the State of New Mexico from a portion of the cigarette tax collected by the state and fees charged for recreational activities sponsored by the Village. Expenditures are subject to Village Trustee approval. Such revenue provides for payment of all current operating costs and may be used for that purpose only. Authority is 7-12-15 NMSA 1978.

### **Community Development Block Grant (CDBG) Fund**

Account for the revenues and expenditures of the Village's CDBG grant funds.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2013**

	Correction 201	Fire Protection 209	Law Enforcement Protection 211	Lodgers' Tax 214
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 58,396	\$ 36,063	\$ 14,138	\$ 23,028
Accounts receivable:				
Taxes	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 58,396</u>	<u>\$ 36,063</u>	<u>\$ 14,138</u>	<u>\$ 23,028</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ 51	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>51</u>	<u>-</u>	<u>-</u>
<i>Fund balances:</i>				
Nonspendable	-	-	-	-
Restricted	58,396	36,012	14,138	23,028
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>58,396</u>	<u>36,012</u>	<u>14,138</u>	<u>23,028</u>
<i>Total liabilities and fund balances</i>	<u>\$ 58,396</u>	<u>\$ 36,063</u>	<u>\$ 14,138</u>	<u>\$ 23,028</u>

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

Streets 216	Recreation 217	CDBG Planning Grant 299	Total
\$ 157,485	\$ 23,196	\$ 72,220	\$ 384,526
30,478	-	-	30,478
-	-	-	-
-	-	-	-
<u>\$ 187,963</u>	<u>\$ 23,196</u>	<u>\$ 72,220</u>	<u>\$ 415,004</u>
\$ 1,400	\$ -	\$ -	\$ 1,451
2,030	-	-	2,030
3,813	-	-	3,813
<u>7,243</u>	<u>-</u>	<u>-</u>	<u>7,294</u>
-	-	-	-
180,720	23,196	72,220	407,710
-	-	-	-
-	-	-	-
-	-	-	-
<u>180,720</u>	<u>23,196</u>	<u>72,220</u>	<u>407,710</u>
<u>\$ 187,963</u>	<u>\$ 23,196</u>	<u>\$ 72,220</u>	<u>\$ 415,004</u>

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Correction 201	Fire Protection 209	Law Enforcement Protection 211	Lodgers' Tax 214
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ 2,371
State grants	-	153,074	22,400	-
Licenses and fees	56,870	-	-	-
Charges for services	-	-	-	-
Interest	42	7	-	11
Rental	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>56,912</u>	<u>153,081</u>	<u>22,400</u>	<u>2,382</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	2,471
Public safety	33,315	86,086	-	-
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	26,388	8,264	-
Debt service:				
Principal	-	32,505	-	-
Interest	-	4,349	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>33,315</u>	<u>149,328</u>	<u>8,264</u>	<u>2,471</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>23,597</u>	<u>3,753</u>	<u>14,136</u>	<u>(89)</u>
<i>Other financing sources (uses):</i>				
Bond proceeds	-	-	-	-
Transfers in (out)	(40,000)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	(16,403)	3,753	14,136	(89)
<i>Fund balances - beginning of year</i>	<u>74,799</u>	<u>32,259</u>	<u>2</u>	<u>23,117</u>
<i>Fund balances - end of year</i>	<u>\$ 58,396</u>	<u>\$ 36,012</u>	<u>\$ 14,138</u>	<u>\$ 23,028</u>

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

	Streets 216	Recreation 217	CDBG Planning Grant 299	Total
\$	200,721	\$ -	\$ -	\$ 203,092
	-	-	-	175,474
	-	-	-	56,870
	-	-	-	-
	72	12	-	144
	-	-	-	-
	-	-	-	-
	<u>200,793</u>	<u>12</u>	<u>-</u>	<u>435,580</u>
	-	-	-	2,471
	-	-	-	119,401
	86,971	-	-	86,971
	-	-	-	-
	80,799	-	-	115,451
	-	-	-	32,505
	-	-	-	4,349
	-	-	-	-
	<u>167,770</u>	<u>-</u>	<u>-</u>	<u>361,148</u>
	<u>33,023</u>	<u>12</u>	<u>-</u>	<u>74,432</u>
	-	-	-	-
	-	-	-	(40,000)
	-	-	-	-
	33,023	12	-	34,432
	<u>147,697</u>	<u>23,184</u>	<u>72,220</u>	<u>373,278</u>
\$	<u>180,720</u>	\$ <u>23,196</u>	\$ <u>72,220</u>	\$ <u>407,710</u>

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

## STATE OF NEW MEXICO

Statement B-3

## VILLAGE OF MILAN

## CORRECTION SPECIAL REVENUE FUND (201)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Licenses and fees	60,700	60,700	56,870	(3,830)
Charges for services	50	50	-	(50)
Interest	100	100	42	(58)
Rental	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>60,850</u>	<u>60,850</u>	<u>56,912</u>	<u>(3,938)</u>
<i>Expenditures:</i>				
Current:				
General government	610	610	-	610
Public safety	29,200	39,200	33,315	5,885
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>29,810</u>	<u>39,810</u>	<u>33,315</u>	<u>6,495</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>31,040</u>	<u>21,040</u>	<u>23,597</u>	<u>2,557</u>
<i>Other financing sources (uses):</i>				
Designated cash	8,960	18,960	-	(18,960)
Bond proceeds	-	-	-	-
Transfers in (out) (out)	(40,000)	(40,000)	(40,000)	-
<i>Total other financing sources (uses)</i>	<u>(31,040)</u>	<u>(21,040)</u>	<u>(40,000)</u>	<u>(18,960)</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(16,403)</u>	<u>\$ (16,403)</u>
<i>Fund balances - beginning of year</i>			<u>74,799</u>	
<i>Fund balances - end of year</i>			<u>\$ 58,396</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net change in fund balances</i>			\$ (16,403)	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (16,403)</u>	

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



## STATE OF NEW MEXICO

Statement B-4

## VILLAGE OF MILAN

FIRE PROTECTION SPECIAL REVENUE FUND (209)  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
 FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	153,074	153,074	153,074	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	7	7
Rental	4,200	4,200	-	(4,200)
Miscellaneous	7,500	23,633	-	(23,633)
<i>Total revenues</i>	<u>164,774</u>	<u>180,907</u>	<u>153,081</u>	<u>(27,826)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	98,164	105,714	92,285	13,429
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	37,045	45,628	20,138	25,490
<i>Debt service:</i>				
Principal	53,138	53,138	32,505	20,633
Interest	8,685.00	8,685.00	4,349.00	4,336
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>197,032</u>	<u>213,165</u>	<u>149,277</u>	<u>63,888</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(32,258)</u>	<u>(32,258)</u>	<u>3,804</u>	<u>36,062</u>
<i>Other financing sources (uses):</i>				
Designated cash	32,258	32,258	-	(32,258)
Bond proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>32,258</u>	<u>32,258</u>	<u>-</u>	<u>(32,258)</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>3,804</u>	<u>\$ 3,804</u>
<i>Fund balances - beginning of year</i>			<u>32,259</u>	
<i>Fund balances - end of year</i>			<u>\$ 36,063</u>	
<b><i>Reconciliation to GAAP Basis:</i></b>				
<i>Net change in fund balances</i>			\$ 3,804	
Adjustments to revenues			-	
Adjustments to expenditures			<u>(51)</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 3,753</u>	

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

## STATE OF NEW MEXICO

Statement B-5

## VILLAGE OF MILAN

LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND (211)  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
 FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	22,400	22,400	22,400	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Rental	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>22,400</u>	<u>22,400</u>	<u>22,400</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	22,400	22,400	8,264	14,136
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>22,400</u>	<u>22,400</u>	<u>8,264</u>	<u>14,136</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>14,136</u>	<u>14,136</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Bond proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>14,136</u>	<u>\$ 14,136</u>
<i>Fund balances - beginning of year</i>			<u>2</u>	
<i>Fund balances - end of year</i>			<u>\$ 14,138</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net change in fund balances</i>			\$ 14,136	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 14,136</u>	

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

## STATE OF NEW MEXICO

Statement B-6

## VILLAGE OF MILAN

## LODGERS' TAX SPECIAL REVENUE FUND (214)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 3,000	\$ 3,000	\$ 2,371	\$ (629)
State grants	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	50	50	11	(39)
Rental	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,050</u>	<u>3,050</u>	<u>2,382</u>	<u>(668)</u>
<i>Expenditures:</i>				
Current:				
General government	4,500	4,500	2,471	2,029
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>4,500</u>	<u>4,500</u>	<u>2,471</u>	<u>2,029</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,450)</u>	<u>(1,450)</u>	<u>(89)</u>	<u>1,361</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,450	1,450	-	(1,450)
Bond proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,450</u>	<u>1,450</u>	<u>-</u>	<u>(1,450)</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(89)</u>	<u>\$ (89)</u>
<i>Fund balances - beginning of year</i>			<u>23,117</u>	
<i>Fund balances - end of year</i>			<u>\$ 23,028</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net change in fund balances</i>			\$ (89)	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (89)</u>	

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

## STATE OF NEW MEXICO

Statement B-7

## VILLAGE OF MILAN

## STREETS SPECIAL REVENUE FUND (216)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 160,000	\$ 160,000	\$ 202,837	\$ 42,837
State grants	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	100	100	72	(28)
Rental	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>160,100</u>	<u>160,100</u>	<u>202,909</u>	<u>42,809</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	152,300	152,200	85,828	66,372
Culture and recreation	-	-	-	-
Capital outlay	106,500	106,600	80,799	25,801
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>258,800</u>	<u>258,800</u>	<u>166,627</u>	<u>92,173</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(98,700)</u>	<u>(98,700)</u>	<u>36,282</u>	<u>134,982</u>
<i>Other financing sources (uses):</i>				
Designated cash	98,700	98,700	-	(98,700)
Bond proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>98,700</u>	<u>98,700</u>	<u>-</u>	<u>(98,700)</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>36,282</u>	<u>\$ 36,282</u>
<i>Fund balances - beginning of year</i>			<u>117,390</u>	
<i>Fund balances - end of year</i>			<u>\$ 153,672</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net change in fund balances</i>			\$ 36,282	
Adjustments to revenues			(2,116)	
Adjustments to expenditures			(1,143)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 33,023</u>	

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

## STATE OF NEW MEXICO

Statement B-8

## VILLAGE OF MILAN

## RECREATION SPECIAL REVENUE FUND (217)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	17	17	12	(5)
Rental	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>17</u>	<u>17</u>	<u>12</u>	<u>(5)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Culture and recreation	500	500	-	500
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(483)</u>	<u>(483)</u>	<u>12</u>	<u>495</u>
<i>Other financing sources (uses):</i>				
Designated cash	483	483	-	(483)
Bond proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>483</u>	<u>483</u>	<u>-</u>	<u>(483)</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>12</u>	<u>\$ 12</u>
<i>Fund balances - beginning of year</i>			<u>23,184</u>	
<i>Fund balances - end of year</i>			<u>\$ 23,196</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net change in fund balances</i>			\$ 12	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 12</u>	

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

## STATE OF NEW MEXICO

Statement B-9

## VILLAGE OF MILAN

CDBG PLANNING GRANT SPECIAL REVENUE FUND (299)  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
 FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual
	Original	Final		Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	497,500	497,500	-	(497,500)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Rental	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>497,500</u>	<u>497,500</u>	<u>-</u>	<u>(497,500)</u>
<i>Expenditures:</i>				
Current:				
General government	702,000	702,000	-	702,000
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>702,000</u>	<u>702,000</u>	<u>-</u>	<u>702,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(204,500)</u>	<u>(204,500)</u>	<u>-</u>	<u>204,500</u>
<i>Other financing sources (uses):</i>				
Designated cash	69,500	69,500	-	(69,500)
Bond proceeds	-	-	-	-
Transfers in (out)	135,000	135,000	-	(135,000)
<i>Total other financing sources (uses)</i>	<u>204,500</u>	<u>204,500</u>	<u>-</u>	<u>(204,500)</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<i>Fund balances - beginning of year</i>			<u>72,220</u>	
<i>Fund balances - end of year</i>			<u>\$ 72,220</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net change in fund balances</i>			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ -</u>	

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

**CAPITAL PROJECT FUND**

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## STATE OF NEW MEXICO

Statement C-1

## VILLAGE OF MILAN

CO-OP STREET IMPROVEMENT CAPITAL PROJECT FUND (399)  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
 FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	1,824,802	1,824,802	513,502	(1,311,300)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	164	164
Rental	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,824,802</u>	<u>1,824,802</u>	<u>513,666</u>	<u>(1,311,136)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	9	(9)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	2,045,184	2,045,184	1,126,445	918,739
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>2,045,184</u>	<u>2,045,184</u>	<u>1,126,454</u>	<u>918,730</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(220,382)</u>	<u>(220,382)</u>	<u>(612,788)</u>	<u>(392,406)</u>
<i>Other financing sources (uses):</i>				
Designated cash	220,382	220,382	-	(220,382)
Bond proceeds	-	-	-	-
Transfers in (out)	-	-	337,118	337,118
<i>Total other financing sources (uses)</i>	<u>220,382</u>	<u>220,382</u>	<u>337,118</u>	<u>116,736</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(275,670)</u>	<u>\$ (275,670)</u>
<i>Fund balances - beginning of year</i>			<u>279,494</u>	
<i>Fund balances - end of year</i>			<u>\$ 3,824</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net change in fund balances</i>			\$ (275,670)	
Adjustments to revenues			596,549	
Adjustments to expenditures			<u>(15,017)</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 305,862</u>	

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

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**NONMAJOR DEBT SERVICE FUND**

## NONMAJOR DEBT SERVICE FUND

### **Debt Service Fund**

Accounts for funds used for the payment of principal and interest due on general obligation bonds. Financing is provided by a special tax levy approved by the voters.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2013**

Statement D-1

	Debt Service 401
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 75,518
Accounts receivable:	
Taxes	15,148
Other receivables	-
Due from other funds	-
	-
<i>Total assets</i>	\$ 90,666
 <b>LIABILITIES AND FUND BALANCES</b>	
<i>Current liabilities:</i>	
Accounts payable	\$ -
Accrued payroll	-
Due to other funds	-
	-
<i>Total liabilities</i>	-
 <i>Fund balances:</i>	
Nonspendable	-
Restricted	90,666
Committed	-
Assigned	-
Unassigned	-
	-
<i>Total fund balances</i>	90,666
 <i>Total liabilities and fund balances</i>	\$ 90,666

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

## STATE OF NEW MEXICO

Statement D-2

## VILLAGE OF MILAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Debt Service 401
<i>Revenues:</i>	
Taxes	\$ 55,268
State grants	-
Licenses and fees	-
Charges for services	-
Interest	-
Rental	-
Miscellaneous	-
<i>Total revenues</i>	<u>55,268</u>
<i>Expenditures:</i>	
Current:	
General government	237
Public safety	-
Highways and streets	-
Culture and recreation	-
Capital outlay	-
Debt service:	
Principal	92,000
Interest	6,446
Bond issuance costs	-
<i>Total expenditures</i>	<u>98,683</u>
<i>Deficiency of revenues over expenditures</i>	<u>(43,415)</u>
<i>Other financing sources (uses):</i>	
Bond proceeds	-
Transfers in (out)	-
<i>Total other financing sources (uses)</i>	<u>-</u>
<i>Deficiency of revenues and other sources (uses) over expenditures</i>	(43,415)
<i>Fund balances - beginning of year</i>	<u>134,081</u>
<i>Fund balances - end of year</i>	<u>\$ 90,666</u>

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

## STATE OF NEW MEXICO

Statement D-3

## VILLAGE OF MILAN

## DEBT SERVICE FUND (401)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN  
FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 127,000	\$ 127,000	\$ 42,418	\$ (84,582)
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Rental	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>127,000</u>	<u>127,000</u>	<u>42,418</u>	<u>(84,582)</u>
<i>Expenditures:</i>				
Current:				
General government	165	225	237	(12)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	92,000	92,000	92,000	-
Interest	6,346	6,486	6,446	40
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>98,511</u>	<u>98,711</u>	<u>98,683</u>	<u>28</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>28,489</u>	<u>28,289</u>	<u>(56,265)</u>	<u>(84,554)</u>
<i>Other financing sources (uses):</i>				
Designated cash	(28,489)	(28,289)	-	-
Bond proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(28,489)</u>	<u>(28,289)</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(56,265)</u>	<u>\$ (56,265)</u>
<i>Fund balances - beginning of year</i>			<u>131,783</u>	
<i>Fund balances - end of year</i>			<u>\$ 75,518</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net change in fund balances</i>			\$ (56,265)	
Adjustments to revenues			12,850	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (43,415)</u>	

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

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**ENTERPRISE FUND**

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## STATE OF NEW MEXICO

Statement E-1

## VILLAGE OF MILAN

## JOINT UTILITY PROPRIETARY FUND (506)

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET  
ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		YTD Actual	Variance Final Budget vs Actual Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Taxes	20,000	20,000	39,723	\$ 19,723
Charges for services	1,617,000	1,642,000	1,735,737	93,737
Miscellaneous	15,000	15,000	12,877	(2,123)
<i>Total revenues</i>	<u>1,652,000</u>	<u>1,677,000</u>	<u>1,788,337</u>	<u>111,337</u>
<i>Operating expenses:</i>				
Operating expenses	1,340,030	1,386,130	1,342,659	43,471
Capital outlay	110,500	83,580	64,051	19,529
Depreciation	-	-	-	-
<i>Debt service:</i>				
Principal	156,305	156,305	-	156,305
Interest	69,795	69,815	69,203	612
<i>Total expenditures</i>	<u>1,676,630</u>	<u>1,695,830</u>	<u>1,475,913</u>	<u>219,917</u>
<i>Net operating income(loss)</i>	<u>(24,630)</u>	<u>(18,830)</u>	<u>312,424</u>	<u>(108,580)</u>
<i>Nonoperating revenues (expenses):</i>				
Designated cash	129,580	129,580	-	233,056
Bond proceeds	-	-	-	-
Interest income	50	50	1,178	1,128
Transfers in (out)	(105,000)	(110,800)	(236,404)	(125,604)
<i>Total nonoperating revenues (expenses)</i>	<u>24,630</u>	<u>18,830</u>	<u>(235,226)</u>	<u>108,580</u>
<i>Net income (loss)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>77,198</u>	<u>\$ 77,198</u>
<i>Net position - beginning of year</i>			<u>1,456,985</u>	
<i>Net position - end of year</i>			<u>\$ 1,534,183</u>	
<b>Reconciliation to GAAP Basis:</b>				
<i>Net income (loss)</i>			\$ 77,198	
Adjustments to revenues			(2,880)	
Adjustments to expenditures			(3,501)	
<i>Changes in net position</i>			<u>\$ 70,817</u>	

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

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**SUPPORTING SCHEDULES**

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STATE OF NEW MEXICO  
VILLAGE OF MILAN  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule I

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2013</u>
Court Bonds	\$ 8,515	\$ 13,430	\$ 13,322	\$ -	\$ 8,623

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

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF DEPOSITORIES**  
**JUNE 30, 2013**

Schedule II

Bank Account Type	Wells Fargo Bank	Grants State Bank	US Bank	Totals
<b><i>BALANCE PER BANK</i></b>				
Checking - Debt Service Fund	\$ 75,518	\$ -	\$ -	\$ 75,518
Checking - General Fund	-	827,787	-	827,787
Checking - Correction Fund	-	61,393	-	61,393
Checking - Fire Protection Fund	-	37,247	-	37,247
Checking - Law Enforcement Fund	-	14,138	-	14,138
Checking - Lodgers' Tax Fund	-	23,028	-	23,028
Checking - Street Fund	-	158,091	-	158,091
Checking - Recreation Fund	-	23,196	-	23,196
Checking - CDBG Planning Grant	-	72,220	-	72,220
Checking - Co-Op Street Improvement	-	3,824	-	3,824
Checking - Joint Utility Fund	-	1,603	-	1,603
Checking - Water Deposit Fund	-	63,770	-	63,770
Checking - Joint Utility Fund #2	-	1,140,025	-	1,140,025
Checking - Operating	-	-	93,861	93,861
Checking - Police Bonds	-	8,623	-	8,623
Money Market - Operating	-	-	283,916	283,916
Savings - General Fund	-	-	3,433	3,433
Savings - Interest on CD	-	43,184	-	43,184
Savings - Water Deposit	-	-	6,960	6,960
Savings - Water Deposit	-	-	6,971	6,971
Certificate of Deposit - Water Deposit Fund	-	60,271	-	60,271
Total On Deposit	75,518	2,538,400	395,141	3,009,059
Reconciling Items	-	(57,845)	(49,688)	(107,533)
Reconciled Balance June 30, 2013	<u>\$ 75,518</u>	<u>\$ 2,480,555</u>	<u>\$ 345,453</u>	2,901,526
Add: NMFA Cash				278,081
Add: Petty Cash				250
Less: Fiduciary Fund Cash				<u>(8,623)</u>
Cash per Government-wide Financial Statements				<u><u>\$ 3,171,234</u></u>

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



**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
**JUNE 30, 2013**

Schedule III

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2013	Name of Safekeeper
Grants State Bank	Bernalillo NM MSD CUSIP #085279NY9 4.00%, Due 08/01/2020	\$ 167,414	The Independent Banker's Bank, Irving, TX
Grants State Bank	Bloomfield NM Mun Sch Dist CUSIP #094077KN3 5.00%, Due 09/01/2019	120,785	The Independent Banker's Bank, Irving, TX
Grants State Bank	Carlsbad SD Call FR CUSIP #142735CM9 3.80%, Due 08/01/2013	50,154	The Independent Banker's Bank, Irving, TX
Grants State Bank	Carlsbad SD Call FR CUSIP #142735CM9 3.80%, Due 08/01/2013	50,154	The Independent Banker's Bank, Irving, TX
Grants State Bank	Dulce ISD No 21 Call FR CUSIP #264430GJ2 3.70%, Due 05/01/2015	153,708	The Independent Banker's Bank, Irving, TX
Grants State Bank	Gadsden NM ISD BQ Call GO CUSIP #362550KR5 3.75%, Due 08/15/2018	545,105	The Independent Banker's Bank, Irving, TX
Grants State Bank	San Juan Cnty NM JRCO CUSIP #798360EB5 3.75%, Due 02/15/2016	<u>100,924</u>	The Independent Banker's Bank, Irving, TX
SUBTOTAL Grants State Bank		1,188,244	
US Bank	FNMA Pool CUSIP #31415TRE2 3.50%, Due 10/01/2025	<u>118,906</u>	Federal Home Loan Bank, Dallas, TX
TOTAL Pledged Collateral		<u><u>\$ 1,307,150</u></u>	

The accompanying notes are and integral part of these financial statements

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Joint Power Agreement</b>	<b>Participants</b>	<b>Responsible Party</b>	<b>Description</b>
Grants Airport	Village of Milan and City of Grants	City of Grants	Provides for management, operation, maintenance, improvement, and financing of the Grants-Milan Airport
Animal Control	Village of Milan and City of Grants	City of Grants	Provides for the collection and custody of stray animals
Rio San Jose Flood Control	Village of Milan and Rio San Jose Flood Control Authority	Rio San Jose Flood Control Authority	Provides for administrative space, personnel furnitures, equipment, and utilities for the operation of the Authority
Wildlife Protection Activities	Village of Milan and State of New Mexico Energy, Minerals, and Natural Resources	State of New Mexico Energy, Minerals, and Natural Resources	Provides a cooperative fire protection system covering any or all private, county, non-municipal, and State lands within or adjacent to the Village
Northwest New Mexico Regional Solid Waste Authority	Village of Milan, City of Grants, City of Gallup, McKinley County, and Cibola County	Northwest New Mexico Regional Solid Waste Authority	Provide for the disposition of solid waste by establishing a modern solid waste disposal facilities
Library	Village of Milan and City of Grants	City of Grants	Establishment of a library program
Senior Citizens Center	Village of Milan, City of Grants, and Valencia County	City of Grants	Establishment of a senior citizens center
Mosquito Control	Village of Milan and Cibola County Vector	Cibola County Vector	Provides mosquito control around the Village of Milan and surrounding area
Prisoner Housing	Village of Milan and Cibola County	Cibola County	Provides housing of municipal prisoners arrested by the Village and confuted in the Cibola County Detention Center

The accompanying notes are an integral part of these financial statements

<b>Beginning Date</b>	<b>Ending Date</b>	<b>Total Estimated Project Amount and Amount Applicable to the Village of Milan</b>	<b>Amount Contributed by the Village During the Fiscal Year</b>	<b>Audit Responsibility</b>	<b>Fiscal Agent/ Responsible Reporting Entity</b>
August 1996	Indefinite	None	\$ 6,976	City of Grants	City of Grants
September 1976	Indefinite	The Village will reimburse the City for 35% of the net operating and maintenance costs	\$ 5,200	City	City
January 1986	Indefinite	The Village provides 160 square feet of office space including utilities, the Village employs one person who is directed by the Authority. The Authority reimburses the Village for personnel costs.	None	Rio San Jose Flood Control Authority	Rio San Jose Flood Control Authority
Unknown	Indefinite	Payments are on a reimbursement basis	None	State of New Mexico Energy, Minerals, and Natural Resources	State of New Mexico Energy, Minerals, and Natural Resources
May 2006	Indefinite	The Village is required 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
July 1981	Indefinite	The Village contributes 20% of the yearly operating costs	\$ 4,000	City of Grants	City of Grants
Unknown	Indefinite	None	\$ 4,400	City of Grants	City of Grants
Unknown	Indefinite	The Village is required to contribute 26% of the yearly operating cost	\$ 6,509	Cibola County	Cibola County
Unknown	Indefinite	\$54 per day per inmate	\$ 14,103	Cibola County	Cibola County

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Joint Power Agreement</b>	<b>Participants</b>	<b>Responsible Party</b>	<b>Description</b>
Transit	Village of Milan, City of Grants, and Cibola County	Cibola County	Jointly creates and operates a municipal transit authority providing transportation between various points within the City of Grants, the Village of Milan, the Cibola County, and surrounding areas
Mount Taylor Ambulance	Village of Milan and Mt. Taylor Ambulance	Mt. Taylor Ambulance	Provides ambulance services with the Village of Milan and the surrounding area
Northwest New Mexico Council of Governments	Village of Milan, City of Grants, City of Gallup, McKinley County, and Cibola County	Northwest New Mexico Council of Governments	Regional Planning
Cibola Regional Communications Center	Village of Milan and Cibola County	Cibola County	911 Emergency Service
Corley/Valdez Farm Lease	Village of Milan, Corley, and Valdez	Village of Milan	Crop Share
Waste Management of New Mexico	Village of Milan and Waste Management	Waste Management of New Mexico	Solid Waste Services
Cibola Communities Economic Development	Village of Milan and Cibola Economic Development	Cibola Communities Economic Development	Economic Development Services

The accompanying notes are an integral part of these financial statements

<b>Beginning Date</b>	<b>Ending Date</b>	<b>Total Estimated Project Amount and Amount Applicable to the Village of Milan</b>	<b>Amount Contributed by the Village During the Fiscal Year</b>	<b>Audit Responsibility</b>	<b>Fiscal Agent/ Responsible Reporting Entity</b>
September 2006	Indefinite	The Village is required to contribute 15% of the yearly operating cost	\$ 15,027	Village of Milan	Village of Milan
10/9/2001	Indefinite	\$12,000 Annually	\$ 12,000	Mt. Taylor Ambulance	Mt. Taylor Ambulance
July 2011	June 2013	\$13,500 Annually	\$ 13,500	Northwest New Mexico Council of Governments	Northwest New Mexico Council of Governments
July 2012	Indefinite	The Village is required to contribute 12% of the yearly operating cost	\$ 50,332	Cibola County	Cibola County
June 2005	October 2015	None	None	Village of Milan	Village of Milan
July 1997	Indefinite	Billed per Rate Scheduled	\$ 339,545	Waste Management of New Mexico	Waste Management of New Mexico
July 2011	June 2013	\$44,359 Annually	\$ 3,369	Cibola Communities Economic Development	Cibola Communities Economic Development

The accompanying notes are an integral part of these financial statements

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**COMPLIANCE SECTION**

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# Griego Professional Services, LLC

Certified Public Accountants

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### INDEPENDENT AUDITOR'S REPORT

Hector Balderas, New Mexico State Auditor and  
Village of Milan Council Members  
Milan, New Mexico

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund, of the Village of Milan, New Mexico (the Village) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplementary information, and have issued our report thereon dated December 31, 2013.

#### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items FS 08-01, FS 2013-01, FS 2013-02, FS 2013-03, FS 2013-05, FS 2013-06, FS 2013-10, and FS 2013-12.

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## **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 items FS 2013-04, FS 2013-07, FS 2013-08, FS 2013-09, FS 2013-11 and FS 2013-13.

## **The Village's Responses to Findings**

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

GRIEGO PROFESSIONAL SERVICES, LLC

A handwritten signature in cursive script that reads "Griego Professional Services, LLC".

Albuquerque, New Mexico  
December 31, 2013

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

Schedule V

**Section I – Summary of Audit Results**

*Financial Statements:*

1.	Type of auditors' report issued	Unmodified
2.	Internal Control over Financial Reporting and on Compliance and Other Matters:	
a.	Material weakness identified?	Yes
b.	Significant deficiency identified not considered to be a material weaknesses?	Yes
c.	Noncompliance material to the financial statements noted?	No

**Section II – Financial Statement Findings**

**FS 08-01 Late Audit Report - Significant Deficiency - Repeated and Revised**

*Criteria:* Local public body audits, which includes Villages, are to be submitted to the State Auditor by December 1st as required by NMAC 2.2.2.9(1)(e).

*Condition:* The audit report was submitted to the State Auditor after the required deadline of December 1, 2013.

*Effect:* The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on state and federal funding.

*Cause:* The Village's accounts were not reconciled to the general ledger and supporting documentation.

*Auditor's Recommendation:* The Village should ensure that accounts and properly reconciled and ready for audit so that the audit can be completed and filed on a timely basis.

*Management Response:* GL entries for conversion entries not tied to anything needed to be made. Audit adjustment will take care of most of them.

**FS 2013-01 Capital Assets – Significant Deficiency**

*Criteria:* Section 12-6-10, NMSA, 1978 and NMAC 2.20.1.16 require that at the end of each fiscal year, a physical inventory be conducted of movable chattels and equipment costing more than five thousand dollars. Upon completion, the inventory shall be certified by the governing authority as to its correctness.

*Condition:* The Village did not conduct an annual inventory of its capital assets costing more than five thousand dollars and certification of the correctness of the inventory was not completed.

*Cause:* Village personnel were not fully aware of all the requirements related to the management of capital asset controls.

*Effect:* The Village is noncompliant with Section 12-6-10, NMSA, 1978 nor NMAC 2.20.1.16. There are no internal controls implemented for safeguarding assets and establishing accountability for their custody and use. The capital asset inventory listing was not complete and account balances may potentially be misstated as of June 30, 2013.

*Auditors' Recommendations:* The Village must implement and formalize a policy relating to capital assets. The policy must be in compliance with state statute, which required tagging of capital assets and requires an annual inventory be performed as well as ensuring capital asset listing, including additions agree to the general ledger.

*Management's Responses:* Due to conversion, the Village of Milan had started and put on hold. We have already scheduled training to comply with the state statute.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

Schedule V

**FS 2013-02 Capital Assets Accounting– Significant Deficiency**

*Criteria:* NMAC 2.20.1 states that agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transaction. Fixed assets should also be tagged for input into the system. In addition, NMAC 2.2.0.1.15 (Fixed Asset Controls) identifies six controls of a fixed asset system. One of the controls is Tagging the Assets and Components: Newly received fixed assets shall be tagged at the time they are received. At the time that a request to purchase a fixed asset is approved, the purchase order shall be returned to the requester along with a tag or tags to identify the asset(s).

*Condition:* The Village is not tagging their fixed assets.

*Cause:* The Village is currently undergoing a financial accounting system conversion and staff was unaware of the need to tag assets.

*Effect:* The Village is noncompliant with NMAC 2.20.1 or NMAC 2.20.1.15. There are no internal controls implemented for tagging assets in order to safeguard the fixed assets and establish accountability for their custody and use. Without a tagging system, assets may potentially be misstated as of June 30, 2013.

*Auditors' Recommendations:* The Village must start tagging capital assets to ensure that capital assets are properly tracked and safeguarded.

*Management's Responses:* The Village of Milan has scheduled training and assigned a person to track and tag assets.

**FS 2013-03 Bank Reconciliations - Significant Deficiency**

*Criteria:* In accordance with 1978 NMSA 6-10-2, all public monies are to be recorded in a cash record and balanced on a daily basis.

*Condition:* The Village reconciled the bank statements to the general ledger with the following internal control deficiencies throughout the year:

- The preparer of the bank reconciliations did not signify completion and accuracy through signature.
- The reconciliations did not indicate that a review of someone other than the preparer was completed.
- Two (2) out of the fifteen (15) monthly bank reconciliations listed reconciling items as far back as September 2012 that have never cleared.
- Reconciled cash balances per the bank reconciliations did not tie back to the general ledger by \$24,639.

*Cause:* The Village underwent a financial accounting system conversion and has had difficulty reconciling the general ledger to the bank reconciliations. Because of many entries the conversion team made, the Village staff was unable to determine how to reverse many of these entries in order for the bank reconciliations to be clean.

*Effect:* Without performing accurate bank reconciliations, incorrect postings to the general ledger will not be recognized. It is often difficult to detect fraudulent activity if bank reconciliations are not performed accurately. Fraudulent transactions can take place and not be detected.

*Auditors' Recommendation:* We recommend that the Village perform bank reconciliations on a monthly basis and be reviewed by the Village Manager. If there are unusual reconciling items, Village personnel should research and determine if adjusting entries should be made so that bank reconciliations are clean. In addition, bank reconciliations should be balanced to the general ledger in order to ensure that cash is properly reported.

*Management's Response:* Reconcilements are done on a monthly basis and reviewed by the Manager. Due to software conversion, the process of reviewing was changed. The Village of Milan will provided documentation in the folders going forward. The adjusting entries were all due to conversion.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

Schedule V

**FS 2013-04 Stale Dated Checks – Other Matter**

*Criteria:* Section 6-10-57, NMSA, 1978 compilation requires local public bodies to cancel or void any check that is unpaid for one year after it is written. The Village may be required to turn these funds over to the State's Unclaimed Property Division.

*Condition:* During our test work of cash, we noted that two (2) bank accounts had fifteen (15) stale dated checks (checks outstanding longer than one year) totaling \$11,071.

*Cause:* The Village has been reconciling bank accounts but has not been taking appropriate action with regards to items older than one year.

*Effect:* The Village's bank reconciliations are more time consuming to prepare when there are stale dated items. Also, the reconciliations are not as accurate as they would be if the stale dated items were removed. The Village would have a more accurate picture of their cash balances on a monthly basis.

*Auditor's Recommendation:* The Village should review bank reconciliations more closely and investigate items outstanding for more than three months. Items included on bank reconciliations that are older than one year should be removed and, as mentioned above, the funds may be required to be turned over to the State's Unclaimed Property Division.

*Management's Response:* The Village of Milan has scheduled training on the assessment process and will monitor.

**FS 2013-05 Preparation of Financial Statements –Significant Deficiency**

*Criteria:* Statement of Accounting Standards (SAS) 115, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and School's financial statements.

*Condition:* The individuals responsible for the accounting functions for the Village did not prepare the financial statements. The financial statements were prepared by the auditor.

*Cause:* The Village's accounting staff is obtaining training on preparing the financials, but is not quite ready to take on the responsibility.

*Effect:* Individuals, without the aid of its auditors, are unable to accurately prepare the Village's financial statements in accordance with the accounting standards with regard to apply generally accepted accounting principles.

*Auditors' Recommendations:* We recommend the accounting management receive training relating to the preparation for the Village's financial statements in accordance with generally accepted accounting principles. This would give the accounting management responsible for the accounting and reporting functions the skills and knowledge to apply generally accepted accounting principles to the financial statements.

*Management Response:* The Village of Milan will seek certification training. In house training is scheduled to begin January 27, 2014.

**FS 2013-06 Preparation of Trial Balance –Significant Deficiency**

*Criteria:* NMAC 2.20.5.8(C) (1) and (10) requires that the agency's Chief Financial Officer insure that an internal control structure exists and that all reporting of financial information must be timely, complete and accurate, to the state agency's management and to oversight agencies and entities.

*Condition:* The individuals responsible for the accounting functions for the Village did not ensure that there are internal controls over the preparation of the trial balance and account balances. Account balances did not tie back to supporting documentation. Therefore, during our test work many adjustments were made in order to adjust general ledger accounts to June 30, 2013 balances.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

Schedule V

**FS 2013-06 Preparation of Trial Balance –Significant Deficiency**

*Cause:* The Village's hired an outside accounting firm to help in the year-end close by preparing year-end adjustments, so that the trial balance would reflect balances as of June 30, 2013. However, only some of the Village's account balances were adjusted.

*Effect:* Without the auditor adjustments, the Village's financial statements did not accurately report the financial position of the Village as of year-end and the financial statements did not comply with generally accepted accounting principles (GAAP).

*Auditors' Recommendations:* We recommend that accounting management receive training relating to the preparation for the Village's financial statements in accordance with generally accepted accounting principles. This would give the accounting management responsible the skills and knowledge to apply generally accepted accounting principles to the financial statements.

*Management Response:* In house training to begin January 27, 2014. The Village of Milan will seek certification training.

**FS 2013-07 Travel and Per Diem – Other Matter**

*Criteria:* NMAC 2.42.2.9 (3) **Receipts required:** The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.

*Condition:* During our test work of travel expenditures, GPS noted that one (1) out of ten (10) instances where there was no supporting documentation for a travel reimbursement.

*Cause:* Policies and procedures that the Village has adopted for cash disbursements, including travel and per diem, are not being followed.

*Effect:* The lack of enforcement of policies and procedures may result in the non-authorized purchase of goods and/or services.

*Auditor's Recommendation:* The Village must enforce policies and procedures that are set in place for the purchase of goods and/or services.

*Management's Response:* The Village of Milan has assigned two people to review before management signs off.

**FS 2013-08 Credit Cards– Other Matter**

*Criteria:* An effective internal control structure requires that expenditures be substantiated with supporting documentations that clearly identifies the purpose of the expenditure.

*Condition:* During our test work of travel expenditures, GPS noted that one (1) out of fourteen (14) instances where there was no supporting documentation for a credit card payment.

*Cause:* Policies and procedures that the Village has adopted for cash disbursements, including credit cards, are not being followed.

*Effect:* The lack of enforcement of policies and procedures may result in the non-authorized purchase of goods and/or services.

*Auditor's Recommendation:* The Village must enforce policies and procedures that are set in place for the purchase of goods and/or services.

*Management's Response:* The Village of Milan has assigned more oversight of policies and procedures for purchases.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

Schedule V

**FS 2013-09 Retiree Healthcare (RHC) Reports and Contributions – Other Matter**

*Criteria:* NMAC 2.81.5.7 (B) 1 states that "salary" means the base salary or wages paid for personal services rendered to the employer by the employee, including longevity pay, shift differentials, wages paid the employee for purposes of continuing the employee on the regular payroll while absent from work on account of vacation, holiday or illness. RHC contributions will be calculated based on an employee's salary. These contributions must be accurately reported and agree to Village financial records.

*Condition:* During our test work, we noted that one (1) report submitted to the Retiree Health Care Authority did not report wages correctly. Wages on the May 10, 2013 report were understated by \$1,958.

*Effect:* It appears that the RHC report, which reports contributions based on employee's salary amounts, has been misreported for the payroll ending May 10, 2013 and contributions have been underpaid. Lack of proper internal control and reconciliation over RHC reporting may result in fines and penalties.

*Cause:* It appears that the Village did not reconcile the wages per the RHC report to the payroll register.

*Auditors' Recommendations:* The Village should implement policies and procedures to ensure that reports are reconciled with the general ledger and submitted in a timely manner. It is essential that reports be verified for accuracy before submission. Also, all employee files should be reviewed to ensure that correct contribution rates are applied.

*Management's Response:* Corrected, sent additional 3% of \$1958.00 to RHCA.

**FS 2013-10 Deficiencies in Internal Control Structure Design – Significant Deficiency**

*Criteria:* NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

*Condition:* The Village does not have a current comprehensive documented internal control structure.

*Effect:* The Village has not maintained a formal policy and procedure manual. The lack of formally written policies and procedures may result in grant noncompliance and/or potential errors and misstatements in times of personnel turnover and personnel reductions.

*Cause:* The Village has recently undergone an accounting system conversion and has not formally written all internal control policies and procedures.

*Auditors' Recommendation:* The Village should its documented comprehensive internal control structure and ensure that it is followed.

*Management's Response:* The Village of Milan assisted by internal auditor will revised internal controls.



**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

Schedule V

**FS 2013-11 – Payroll – Other Matter**

*Criteria:* NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations.

*Condition:* During our test work of personnel files, GPS noted the following:

- 1 out of 25 instances in which the personnel file lacked the insurance authorization or decline form
- 1 out of 25 instances in which the personnel file lacked Form I-9
- 3 out of 25 instances in which the employer failed to sign Form I-9
- 2 out of 25 instances in which the personnel lacked the copies of documents that support the Form I-9
- 1 out of 25 instances in which there was no authorization for over-time pay.

*Cause:* The errors appear to be isolated instances. The internal controls over payroll process do not appear to have captured these instances.

*Effect:* The Village is not in compliance with New Mexico State Statutes. The Village could be subject to penalties or possibly legal action.

*Auditors' Recommendations:* We recommend that the Village make periodic checks to ensure all employees are earning the correct rate based upon their contract.

*Management's Response:* We do audits annually to verify correct rate; last on March 2013. We will do semi-annually going forward using a checklist to make sure file is complete as well.

**FS 2013-12 Cash Disbursements – Significant Deficiency**

*Criteria:* Sound accounting practices and procedures; will only issue a purchase order prior to the invoice date and will only pay an invoice from a vendor one time. In addition, according to NMSA 1978 Section 6-6-3, the Village is expected to conform to the rules and regulations that they have adopted relating to internal controls.

*Condition:* During our testwork of cash disbursements, GPS noted the following:

- 17 out of 25 instances in which there was no purchase order and/or the invoice was not signed indicated approval
- 8 out of 25 instances in which the purchase order was not signed
- 6 out of 25 instances in which the account distribution was not found in the supporting documentation
- 1 out of 25 instances in which the purchase order date was subsequent to the invoice date
- 1 out of 25 instances in which there was no invoice found in the supporting documentation
- 3 out of 25 instances in which the payment was not supported by proper documentation

*Effect:* Without appropriate documentation, the Village is unable to demonstrate compliance with its own internal controls and policies.

*Cause:* The Village is currently using purchase orders haphazardly and no one seems to be reviewing supporting documentation to ensure that it is complete and that payments are approved.

*Auditor's Recommendation:* We recommend that a system be put in place to insure that all back up documentation is reviewed prior to payment being issued.

*Management's Response:* All purchase orders are signed; however, due to software conversion, the process changed somewhat. We have corrected and put in place a procedure to ensure that verification is documented.

**STATE OF NEW MEXICO**  
**VILLAGE OF MILAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

Schedule V

**FS 2013-13 Timeliness of Deposits – Other Matter**

*Criteria:* State Statute requires that deposits must be made within a 24 hour period from the receipt of the funds.

*Condition:* During our test work of receipts, we noted five (5) instances out of twenty-five (25) instances in which a receipt was not deposited timely (within 24 hours). The deposits total \$1,017.

*Cause:* The staff of the Village did not deposit the funds within 24 hours after receipt. Proper procedures relating to cash receipts were not followed.

*Effect:* Non-adherence to state statutes places the Village in noncompliance and lack of timeliness of deposits could subject the District to a possible occurrence of fraud.

*Auditors' Recommendations:* We recommend that the Village emphasize the importance of timely deposits of receipts and monitor receipts more closely in order to be compliant with state statutes. The Village should cross-train employees so that more than one individual is able to make deposits to ensure daily deposits are possible.

*Management's Response:* We have revised our controls to ensure deposits are made on a timely basis.

**Section III – Prior Year Audit Findings**

FS 08-01 Late Audit Report – Compliance – Repeated and Revised

**Section IV – Other Disclosures**

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Village's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on January 13, 2014. The following individuals were in attendance.

Village of Milan

Vivian Brumbelow, Mayor Pro-Tem  
Marcella Sandoval, Villages Manager  
Esther Barnes, Payroll Clerk and Human Resources  
Theresa Garcia, Village Clerk  
Trini Barreras, Accounts Payable Clerk

Griego Professional Services, LLC

J.J. Griego, CPA, Partner  
Judi Starkovich, CPA, Audit Manager