

State of New Mexico
Village of Milan
Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2014
and Independent Auditors' Report

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

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**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**OFFICIAL ROSTER
JUNE 30, 2014**

ELECTED OFFICIALS

George Knotts
Vivian Brumbelow
Helen Dayan
Felix Gonzales
Orlando Gallegos

Mayor
Mayor Pro Tem
Trustee
Trustee
Trustee

ADMINISTRATIVE OFFICIALS

Marcela Sandoval
Theresa A. Garcia

Village Manager
Village Clerk

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and the Mayor and City Council of the
Village of 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, and the budgetary comparison for the general fund and major special revenue funds of the Village of Milan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds and the budgetary comparisons for capital projects funds, 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, 2014, 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 misstatement, whether due to fraud or error.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Milan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village of Milan as of June 30, 2014 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other schedules required by 2.2.2 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of the Village of Milan 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Milan, internal control over financial reporting and compliance.

White & Gurnanago + Campbell, LLP

El Paso, Texas

December 1, 2014

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This section of Village of Milan's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the Village's financial statements, which follow this section.

Financial Highlights

- The assets of the Village of Milan exceeded its liabilities at the close of the most recent fiscal year end by \$18,205,763 (net position). Of this amount, \$2,091,439 (unrestricted net position) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net position decreased by \$126,369 during the fiscal year. The majority of this is due to a restatement decreasing net position by \$366,559.
- As of June 30, 2014, the Village's governmental funds reported combined ending fund balances of \$1,890,538. Of this total, \$561,966 is restricted for special revenue, capital projects and debt service.
- At the close of the current fiscal year, unassigned fund balance of the general fund was \$1,328,572.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the a Village's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Milan's finances, in a manner similar to a private-sector business.

The *statements of net position* presents information on all of the Village of Milan's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Milan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Milan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Milan include general government, public safety, highways and streets and culture and recreation. The business-type activities of the Village include water, sewer, solid waste, an airport and a convention center.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Milan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Milan can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Village's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains fourteen individual governmental funds organized according to their type (general, special revenue, capital projects and debt service). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be the only major fund. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Milan adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the all of the governmental funds to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds are generally used to account for services for which the Village charges customers -either outside customers or internal units or departments of the Village. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Village maintains two proprietary funds, the Water and Sewer fund and the Police Bond fund. The proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 31 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$18,205,763 at the close of the current fiscal year.

The largest portion of the Village of Milan's net position represent the Village's investment of \$14,083,834 in capital assets (e.g., land, construction in progress, improvements, buildings, furniture and equipment, and vehicles less any related outstanding debt used to acquire those assets. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Village's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,091,439 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all categories of net position, for the government as a whole as well as for the business-type activities.

Analysis of Changes in Net Position

During the current fiscal year, the Village's net position in governmental and business-type activities decreased by \$240,190. These decreases are explained in the governmental and business-type activities discussion that follows.

Governmental Activities

Governmental activities decreased the Village's net position by \$170,228. Revenues including transfers increased from \$2,803,491 for the year ended June 30, 2013 to \$3,766,499 for the year ended June 30, 2014. The increase in revenues is primarily because the increase in grants awarded to the Village. Governmental expenses increased from \$1,472,822 for the year ended June 30, 2013 to \$3,936,727 for the year ended June 30, 2014. Total revenues and expenses from governmental activities are summarized below.

Business-Type Activities

Business-type activities increased the Village's net position by \$410,418 after transfers of \$142,118 from governmental activities, compared to the prior year's increase of \$70,817 after transfers of \$236,404 out to the general fund. Elements of this increase compared to the prior year increase include increase in service charge throughout the year.

A summary of the statement of net position is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current and other assets	\$ 2,093,151	\$ 2,713,015	\$ 2,156,216	\$ 1,523,434	\$ 4,249,367	\$ 4,236,449
Non current assets	5	6	418,075	418,075	418,080	418,081
Capital assets, net of accumulated depreciation	9,867,253	9,780,003	5,958,060	6,232,776	15,825,313	16,012,779
Total assets	<u>\$11,960,409</u>	<u>\$12,493,024</u>	<u>\$ 8,532,351</u>	<u>\$ 8,174,285</u>	<u>\$20,492,760</u>	<u>\$20,667,309</u>
LIABILITIES						
Current and other liabilities	\$ 240,867	\$ 195,851	\$ 444,098	\$ 331,987	\$ 684,965	\$ 527,838
Long-term liabilities	288,280	329,124	1,313,752	1,478,215	1,602,032	1,807,339
Total liabilities	<u>529,147</u>	<u>524,975</u>	<u>1,757,850</u>	<u>1,810,202</u>	<u>2,286,997</u>	<u>2,335,177</u>
NET POSITION						
Net invested in capital assets	9,594,298	9,384,271	4,489,536	4,601,529	14,083,834	13,985,800
Restricted	561,966	1,083,732	1,468,524	1,487,573	2,030,490	2,571,305
Unrestricted	1,274,998	1,500,046	816,441	274,981	2,091,439	1,775,027
Total net position	<u>11,431,262</u>	<u>11,968,049</u>	<u>6,774,501</u>	<u>6,364,083</u>	<u>18,205,763</u>	<u>18,332,132</u>
Total liabilities and net position	<u>\$11,960,409</u>	<u>\$12,493,024</u>	<u>\$ 8,532,351</u>	<u>\$ 8,174,285</u>	<u>\$20,492,760</u>	<u>\$20,667,309</u>

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenue:						
Charges for services	\$ 110,543	\$ 24,579	\$ 1,958,003	\$ 1,723,188	\$ 2,068,546	\$ 1,747,767
Operating grant and contributions	616,103	-	-	-	616,103	-
Capital grants and contributions	565,017	-	-	-	565,017	-
General revenues:						
Taxes	2,616,954	2,447,909	24,158	49,392	2,641,112	2,497,301
Other income	-	94,599	26,277	14,055	26,277	108,654
Total revenues	<u>3,908,617</u>	<u>2,567,087</u>	<u>2,008,438</u>	<u>1,786,635</u>	<u>5,917,055</u>	<u>4,353,722</u>
EXPENSES						
General government	1,218,475	1,103,408	1,740,138	1,479,414	1,254,331	2,582,822
Public safety	880,750	714,331	-	-	-	714,331
Highway and streets	862,340	(869,030)	-	-	-	(869,030)
Culture and recreation	513,654	506,297	-	-	-	506,297
Interest on long term debt	6,102	12,779	-	-	6,102	12,779
Capital Outlay	455,406	5,037	-	-	-	-
Total expenses	<u>3,936,727</u>	<u>1,472,822</u>	<u>1,740,138</u>	<u>1,479,414</u>	<u>5,676,865</u>	<u>2,952,236</u>
Changes in net position before transfers	(28,110)	1,094,265	268,300	307,221	240,190	1,401,486
Transfers	(142,118)	236,404	142,118	(236,404)	-	-
Changes in net position	<u>(170,228)</u>	<u>1,330,669</u>	<u>410,418</u>	<u>70,817</u>	<u>240,190</u>	<u>1,401,486</u>
Net position - beginning as previously stated	11,968,049	10,637,380	6,364,083	6,293,266	18,332,132	16,930,646
Restatement	(366,559)	-	-	-	(366,559)	-
Net position - beginning as restated	<u>11,601,490</u>	<u>10,637,380</u>	<u>6,364,083</u>	<u>6,293,266</u>	<u>17,965,573</u>	<u>16,930,646</u>
Net position - ending	<u>\$11,431,262</u>	<u>\$11,968,049</u>	<u>\$ 6,774,501</u>	<u>\$ 6,364,083</u>	<u>\$18,205,763</u>	<u>\$18,332,132</u>

Financial Analysis of the Village of Milan as a Whole

As noted earlier, the Village of Milan uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Village of Milan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the Village of Milan's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Village include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,890,538, a decrease of \$385,204 in comparison with the prior year. Approximately 70% of this total amount, or \$1,328,572, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$561,966, is restricted to indicate that it is not available for new spending because it has already been restricted to pay special revenue, capital projects and debt service.

Revenues for governmental functions overall totaled \$3,908,617 in the year ended June 30, 2014, which represents an increase of \$1,341,530 from the year ended June 30, 2013. Expenditures for governmental functions totaled \$3,936,727 in the year ended June 30, 2014. This was a increase of \$2,463,905 from the fiscal year-ended June 30, 2013. The increase in expenditures is primarily caused by the increase in salaries relating to annual salary adjustments. In the fiscal year-ended June 30, 2014, expenditures for governmental functions exceeded revenues by approximately \$28,110.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, the fund balance of the General Fund was \$1,358,572. General Fund revenues totaled \$2,876,891 for the fiscal year, while expenditures totaled \$2,920,329. Expenditures exceeded revenues by \$43,438 before transfers in and out of the general fund.

During 2014, the General Fund received transfers of \$210,000 from other Village funds. The net transfers of \$210,000 increase the fund balance, which was increased \$166,562 during the current fiscal year.

Proprietary Funds

The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. An analysis of the major proprietary funds is as follows:

Proprietary funds increased total assets from \$8,174,285 in 2013 to \$8,532,351 in 2014. This is a 4.4% increase.

Proprietary fund liabilities decreased 3% or \$52,352 during 2014.

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget. During the fiscal year, the Village revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Local gross receipts collections for the year ended June 30, 2014 were higher than what was collected in previous years due to construction throughout the Village.

Actual General Fund expenditures were \$2,920,329, which was 27% below the final budget amount for the year ended June 30, 2014. The Village's policy is to budget based upon expected expenditures, but Village employees are encouraged to spend only what is needed to provide services, which accounts for the expenditure savings.

Fund balance was budgeted to be \$780,468 in the final budget. The actual fund balance for the General Fund for the year ended June 30, 2014 was \$1,358,572. This was a favorable variance of \$578,104, or 74%. An increase in fund balance is indicative of prudent management of the Village's funds.

Capital Asset and Debt Administration

Capital Assets

The Village of Milan's capital assets for its governmental and business-type activities as of June 30, 2014 amount to \$15,825,313 (net of accumulated depreciation). Capital assets include land, construction in progress, improvements, buildings, furniture and equipment, and vehicles. The total increase in the Village of Milan's capital assets (excluding accumulated depreciation) for the current fiscal year was \$589,024 for governmental activities. Improvements costing \$440,722, machinery and equipment \$31,109, and vehicles costing \$57,163 were purchased for the Village in the year ended June 30, 2014. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$127,795.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

Capital Assets, Net of Depreciation June 30, 2014 and 2013

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and Construction in Progress	\$ 724,742	\$ 694,657	\$ 2,340,000	\$ 2,352,555	\$ 3,064,742	\$ 3,047,212
Buildings, Improvements, Equipment, Furniture and Vehicles	<u>9,142,511</u>	<u>9,085,346</u>	<u>3,618,060</u>	<u>3,880,221</u>	<u>12,760,571</u>	<u>12,965,567</u>
Capital Assets, Net of A/D	<u>\$ 9,867,253</u>	<u>\$ 9,780,003</u>	<u>\$ 5,958,060</u>	<u>\$ 6,232,776</u>	<u>\$15,825,313</u>	<u>\$16,012,779</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Long-term Debt

At the end of fiscal year 2014, the Village had total long-term debt outstanding of \$1,799,784, which consists of notes payable and compensated absences payable. Governmental activity and business-type long-term debt as of June 30, 2014 was \$326,529 and \$1,473,255, respectively, and were decreased by \$125,372 and \$318,483, respectively, during the fiscal year.

The Village's long term debt is summarized as follows:.

Long Term Debt June 30, 2014 and 2013

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes Payable	\$ 272,955	\$ 395,732	\$ 1,468,524	\$ 1,786,623	\$ 1,741,479	\$ 2,182,355
Landfill post closure	-	-	-	-	-	-
Compensated Absences	<u>53,574</u>	<u>56,169</u>	<u>4,731</u>	<u>5,115</u>	<u>58,305</u>	<u>61,284</u>
Total Long Term Debt	<u>\$ 326,529</u>	<u>\$ 451,901</u>	<u>\$ 1,473,255</u>	<u>\$ 1,791,738</u>	<u>\$ 1,799,784</u>	<u>\$ 2,243,639</u>

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Milan's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, 623 Uranium Avenue, Milan, NM 87021.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,721,727	\$ 1,575,351	\$ 3,297,078
Accounts receivable		580,865	580,865
Taxes receivable	350,224	-	350,224
Intergovernmental receivable	21,200		21,200
Total current assets	2,093,151	2,156,216	4,249,367
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	5	418,075	418,080
Capital assets, net	9,867,253	5,958,060	15,825,313
Total non-current assets	9,867,258	6,376,135	16,243,393
Total assets	<u>\$ 11,960,409</u>	<u>\$ 8,532,351</u>	<u>\$ 20,492,760</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 169,462	\$ 50,039	\$ 219,501
Accrued interest	1,729	-	1,729
Accrued salaries	31,427	155,502	186,929
Unapplied deposits		79,054	79,054
Current portion of compensated absences	5,939	4,731	10,670
Current portion of long term debt	32,310	154,772	187,082
Total current liabilities	240,867	444,098	684,965
NON-CURRENT LIABILITIES:			
Compensated absences	47,635	-	47,635
Long term debt, less current maturities	240,645	1,313,752	1,554,397
Total non-current liabilities	288,280	1,313,752	1,602,032
Total liabilities	529,147	1,757,850	2,286,997
NET POSITION			
Net investment in capital assets	9,594,298	4,489,536	14,083,834
Restricted for:			
Debt services	320,929	1,468,524	1,789,453
Capital projects	228,785	-	228,785
Water conservation	12,252	-	12,252
Unrestricted	1,274,998	816,441	2,091,439
Total net position	11,431,262	6,774,501	18,205,763
Total net position and liabilities	<u>\$ 11,960,409</u>	<u>\$ 8,532,351</u>	<u>\$ 20,492,760</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:	\$ 1,218,475	\$ 69,363	\$ 382,413	\$ 450,000	\$ (316,699)	\$ -	\$ (316,699)
General government	880,733	41,180	233,690	-	(605,863)	-	(605,863)
Public safety	17	-	-	-	(17)	-	(17)
Public works	513,654	-	-	-	(513,654)	-	(513,654)
Culture and recreation	862,340	-	-	115,017	(747,323)	-	(747,323)
Highway and streets	6,102	-	-	-	(6,102)	-	(6,102)
Interest expense	455,406	-	-	-	(455,406)	-	(455,406)
Unallocated depreciation	3,936,727	110,543	616,103	565,017	(2,645,064)	-	(2,645,064)
Total governmental activities	1,740,138	1,958,003	-	-	-	217,865	217,865
Business-type activities:	1,740,138	1,958,003	-	-	-	217,865	217,865
Joint utilities	5,676,865	2,068,546	616,103	565,017	(2,645,064)	217,865	(2,427,199)
Total business-type activities	-	-	-	-	-	-	-
Total primary government	-	-	616,103	565,017	(2,645,064)	217,865	(2,427,199)
General Revenues:							
Gross receipts taxes					2,347,053	24,158	2,371,211
Franchise taxes					73,901	-	73,901
Property taxes					69,913	-	69,913
Other taxes					18,084	-	18,084
Investment earnings					5,722	40	5,762
Rentals, reimbursements and other					102,281	26,237	128,518
Transfers					(142,118)	142,118	-
Total general revenues and transfers					2,474,836	192,553	2,667,389
Changes in net position					(170,228)	410,418	240,190
Net position, beginning of year, as previously stated					11,968,049	6,364,083	18,332,132
Restatement					(366,559)	-	(366,559)
Net position, beginning of year, as restated					11,601,490	6,364,083	17,965,573
Net position, end of year					11,431,262	6,774,501	18,205,763

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MILAN

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	CDBG Capital Projects Fund	Co-Op Street Improvement	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,087,851	\$ 27,341	\$ 306,739	\$ 299,796	\$ 1,721,727
Restricted cash and cash equivalents	-	-	-	5	5
Taxes receivable	328,613	-	-	21,611	350,224
Intergovernmental receivable	-	-	-	21,200	21,200
Due from other funds	120,552	-	-	-	120,552
Total assets	<u>\$ 1,537,016</u>	<u>27,341</u>	<u>306,739</u>	<u>\$ 342,612</u>	<u>\$ 2,213,708</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 26,465	-	135,295	\$ 7,702	\$ 169,462
Accrued interest	-	-	-	1,729	1,729
Accrued salaries	31,427	-	-	-	31,427
Due to other funds	120,552	-	-	-	120,552
Total liabilities	178,444	-	135,295	9,431	323,170
Deferred Inflows:					
Property tax revenue	-	-	-	-	-
Total liabilities and deferred inflows	178,444	-	135,295	9,431	323,170
Fund balances:					
Restricted, reported in:					
Special revenue funds	-	-	-	320,929	320,929
Capital projects funds	-	57,341	171,444	-	228,785
Debt service funds	-	-	-	12,252	12,252
Unassigned, reported in:					
General fund	1,358,572	(30,000)	-	-	1,328,572
Total fund balances	<u>1,358,572</u>	<u>27,341</u>	<u>171,444</u>	<u>333,181</u>	<u>1,890,538</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,537,016</u>	<u>27,341</u>	<u>306,739</u>	<u>\$ 342,612</u>	<u>\$ 2,213,708</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF MILAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances - governmental funds		\$ 1,890,538
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
The cost of capital assets	14,506,424	
Accumulated depreciation	<u>(4,639,171)</u>	9,867,253
<p>Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:</p>		
Property taxes		-
<p>Other long-term liabilities and certain other liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:</p>		
Long-term debt	272,955	
Compensated absences	<u>53,574</u>	<u>(326,529)</u>
Total net position - governmental activities		<u>\$ 11,431,262</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	CDBG Capital Projects Fund	Co-Op Street Improvements	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes:					
Gross receipts	\$ 2,159,719	\$ -	\$ -	\$ 187,334	\$ 2,347,053
Franchise	73,901	-	-	-	73,901
Property	69,913	-	-	-	69,913
Other	18,084	-	-	-	18,084
Licenses, fees and permits	48,638	-	-	41,180	89,818
Rentals	20,725	-	-	-	20,725
Federal operating grants	-	450,000	-	-	450,000
Other grants and contributions	382,413	-	115,017	239,001	736,431
Interest	1,217	-	283	4,222	5,722
Other	102,281	-	-	-	102,281
Total revenues	<u>2,876,891</u>	<u>450,000</u>	<u>115,300</u>	<u>471,737</u>	<u>3,913,928</u>
EXPENDITURES					
Current:					
General government	1,180,254	-	-	2,112	1,182,366
Public safety	785,658	-	-	95,075	880,733
Public works	17	-	-	-	17
Culture and recreation	513,601	-	-	53	513,654
Highway and streets	350,790	134,603	150,316	226,631	862,340
Capital outlay	90,009	390,276	41,778	66,962	589,025
Debt service:					
Principal	-	-	-	122,777	122,777
Interest	-	-	-	6,102	6,102
Total expenditures	<u>2,920,329</u>	<u>524,879</u>	<u>192,094</u>	<u>519,712</u>	<u>4,157,014</u>
Excess (deficiency) of revenues over expenditures	(43,438)	(74,879)	(76,794)	(47,975)	(243,086)
OTHER FINANCING SOURCES (USES):					
Transfers in	210,000	30,000	-	-	240,000
Transfers out	-	-	(337,118)	(45,000)	(382,118)
Total other financing source (uses)	<u>210,000</u>	<u>30,000</u>	<u>(337,118)</u>	<u>(45,000)</u>	<u>(142,118)</u>
Net change in fund balance	166,562	(44,879)	(413,912)	(92,975)	(385,204)
Fund balance at beginning of year, previously stated	1,558,569	72,220	585,356	426,156	2,642,301
Restatement	(366,559)	-	-	-	(366,559)
Fund balance at beginning of year, as restated	<u>1,192,010</u>	<u>72,220</u>	<u>585,356</u>	<u>426,156</u>	<u>2,275,742</u>
Fund balance at end of year	<u>\$ 1,358,572</u>	<u>27,341</u>	<u>171,444</u>	<u>\$ 333,181</u>	<u>\$ 1,890,538</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF MILAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ (385,204)

The changes in net position reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital assets reported as capital outlay expenditures	589,024	
Depreciation expense	(455,406)	
Retirement or disposal of capital assets	<u>(46,368)</u>	87,250

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 122,777

Decrease in accrued interest payable 2,354

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).

<u>2,595</u>
<u>\$ (170,228)</u>

Change in net position of governmental activities

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Gross receipts	\$ 923,000	\$ 923,000	\$ 2,159,719	\$ 1,236,719
Franchise	83,000	83,000	73,901	(9,099)
Property	197,000	197,000	69,913	(127,087)
Intergovernmental	942,000	942,000	-	(942,000)
Charges for services	100	100	-	(100)
Licenses, fees and permits	7,750	7,750	48,638	40,888
Small Counties Assistance	94,000	94,000	-	(94,000)
Rentals	-	-	20,725	20,725
Other grant and contributions	5,500	5,500	382,413	376,913
Interest	1,500	1,500	1,217	(283)
Other	463,537	463,537	120,365	(343,172)
Total revenues	2,717,387	2,717,387	2,876,891	159,504
EXPENDITURES:				
Current			1,180,254	(1,180,254)
General government	-	-	785,658	(785,658)
Public safety	-	-	-	798,616
Executive-Legislative	798,616	798,616	-	105,229
Judicial	105,229	105,229	-	447,758
Finance & Administration	447,758	447,758	-	928,537
Public works	928,554	928,554	17	8,143
Highways & Streets	358,933	358,933	350,790	212,360
Culture and recreation	725,961	725,961	513,601	8,600
Airport	8,600	8,600	-	331,837
Other - Miscellaneous	331,837	331,837	-	(90,009)
Capital outlay	-	-	90,009	-
Debt service	-	-	-	-
Total expenditures	3,705,488	3,705,488	2,920,329	785,159
Excess (deficiency) of revenues over expenditures	(988,101)	(988,101)	(43,438)	944,663
OTHER FINANCING SOURCES (USES)				
Transfers in	210,000	210,000	210,000	-
Total other financing sources (uses)	210,000	210,000	210,000	Continued

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

Net changes in fund balance	(778,101)	(778,101)	166,562	944,663
Fund balance - beginning of the year	1,558,569	1,558,569	1,558,569	-
Restatement	-	-	(366,559)	-
Fund balance - end of the year	<u>\$ 780,468</u>	<u>\$ 780,468</u>	<u>\$ 1,358,572</u>	<u>\$ 944,663</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 166,562</u>	
Net change in fund balance GAAP basis			<u>\$ 166,562</u>	

Concluded

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUNDS

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Joint Utilities
ASSETS	
CURRENT ASSETS:	\$ 1,575,351
Cash and cash equivalents	<u>580,865</u>
Accounts receivable	
Total current assets	2,156,216
NON-CURRENT ASSETS:	
Restricted assets:	418,075
Cash and cash equivalents	<u>5,958,060</u>
Capital assets, net	
Total non-current assets	<u>6,376,135</u>
Total assets	<u>\$ 8,532,351</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	\$ 50,039
Accounts payable	155,502
Accrued salaries	<u>79,054</u>
Customer deposits	
Total current liabilities	284,595
NON-CURRENT LIABILITIES:	
Compensated absences	4,731
Long term debt - long term portion	<u>1,468,524</u>
Total non-current liabilities	<u>1,473,255</u>
Total liabilities	<u>1,757,850</u>
NET POSITION	4,489,536
Net investment in capital assets	
Restricted for:	1,468,524
Debt service	<u>816,441</u>
Unrestricted	
Total net position	<u>6,774,501</u>
Total liabilities and net position	<u>\$ 8,532,351</u>

See independent auditors' report and accompanying notes to 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, 2014**

	Joint Utilities
OPERATING REVENUES	\$ 1,946,618
Charges for services	24,158
Gross receipts	11,385
Late charges	40
Interest	<u>26,237</u>
Other and miscellaneous	
Total operating revenues	2,008,438
OPERATING EXPENSES	1,400,377
Operating costs	-
Capital Outlay	<u>274,567</u>
Depreciation	
Total operating expenses	<u>1,674,944</u>
Operating income	333,494
NON OPERATING REVENUES (EXPENSES):	-
Interest income	<u>(65,194)</u>
Interest expense	
Total non operating revenues (expenses)	(65,194)
Transfers:	337,118
Transfers in	<u>(195,000)</u>
Transfers out	
Total transfers	<u>142,118</u>
Change in net position	410,418
Net position, beginning of year	<u>6,364,083</u>
Net position, end of year	<u>\$ 6,774,501</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Joint Utilities
Cash flows from operating activities:	\$ 1,798,719
Cash received from customers	144,693
Payments to employees for services	<u>(1,389,161)</u>
Payments to suppliers and contractors	
Net cash provided by operating activities	554,251
Cash flows from non-capital activities and related financing activities:	(11,955)
Due to / from other funds	<u>154,673</u>
Net transfers in (out)	
Net cash provided by non-capital activities and related financing activities:	142,718
Cash flows from capital activities and related financing activities:	(74,552)
Interest expense	(127,795)
Purchase of capital assets	115,389
Disposal in capital assets	<u>(162,723)</u>
Principal payments on debt	
Net cash used in capital activities and related financing activities:	(249,681)
Net increase in cash and cash equivalents	447,288
Cash and cash equivalents - beginning	<u>1,546,138</u>
Cash and cash equivalents - ending	<u>\$ 1,993,426</u>
SUPPLEMENTARY INFORMATION:	\$ 1,575,351
Cash and cash equivalents	<u>418,075</u>
Restricted cash	<u>\$ 1,993,426</u>
Total cash and cash equivalents	
Reconciliation of operating income to net cash provided by operating activities:	\$ 333,494
Operating income	
Adjustments to operating income to net cash provided by operating activities:	274,567
Depreciation	
Changes in net position and liabilities:	(185,494)
Accounts receivables	11,216
Accounts payable	149,030
Accrued salaries	(4,337)
Compensated absences	<u>(24,225)</u>
Customer deposits	<u>\$ 554,251</u>
Net cash provided by operating activities	

See independent auditors' report and accompanying notes to financial statements.

FIDUCIARY FUNDS

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**FIDUCIARY FUNDS LISTING
JUNE 30, 2014**

AGENCY FUNDS:

These funds are used to account for monies held by the Village in a custodial capacity.

Police Bond

To account for the court fines paid and refunded.

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2014**

	<u>Police Bond</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 6,277
Accounts receivable	<u>-</u>
	<u>\$ 6,277</u>
Total assets	
LIABILITIES	
CURRENT LIABILITIES:	
Due to other entities	<u>\$ 6,277</u>
	<u>\$ 6,277</u>
Total liabilities	

See independent auditors' report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MILAN

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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. Reporting Entity

The Village Council (the "Council") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Village is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity as defined by Statement No. 14.

B. Basis of Presentation

Government-Wide and Fund Financial Statements—The basic financial statements include both government-wide (based on the Village as a whole) 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 and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.) The Village does not allocate indirect costs.

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The general fund is the only major government fund.

The joint utilities fund is the major proprietary fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed or when the resources are received, whichever occurs first.

Governmental Fund Financial Statements—The governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Ad valorem, franchise, and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues.

In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

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 principle ongoing operations. The principle operating revenues of the Village's joint utility fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Village reports the following major governmental funds:

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

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

The Village reports the following major business-type 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.

D. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Village considers all highly liquid investments, including restricted assets, with a maturity when purchased of three months or less to be cash equivalents.

Deposits and Investments - Investments in the Village's cash are stated at cost, which approximates fair value. State statutes authorize the Village to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer's investments pool. Cash is reported at book value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

Receivables and Payables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance. Long term 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 from available financial resources.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year with levies becoming delinquent 30 days thereafter unless a timely protest has been made. Taxes are collected on behalf of the Village by the Cibola County Treasurer, and are distributed in the month of tile collection.

Inventory - Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as an expense when consumed rather than when purchased.

Restricted Assets - Certain long-term assets in the proprietary funds and the component unit are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as "deposits held in trust for others."

Interfund Activity - Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance 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 fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets - Capital assets include: property, plant, utility systems, equipment, and infrastructure assets. Infrastructure includes streets, sidewalks, bridges, drainage systems, lighting systems and similar items. Such assets are reported in the applicable governmental or business-type activities columns the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000, and an estimated useful life in excess of two years. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the Village not to capitalize computer software. Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend the asset's lives are not capitalized.

As allowed by GASB Statement No. 34, the Village had retroactively reported all infrastructure assets owned by the municipality.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of businesslike activities is included as part of the capitalized value of the assets under construction.

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

Assets	Years
Building and building improvements	30-40
Water and sewer plants	40
Streets	10-20
Vehicles, machinery and equipment	5-20
Computer equipment and software	3-5

Compensated Absences - It is the Village's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. All sick pay and vacation pay is accrued when incurred in the government-wide or proprietary fund financial statements.

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

Long-Term Debt - In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

Customer Deposits - Cash held in the proprietary funds for customer deposits is restricted.

Net Position - The government-wide financial statements utilize a net position presentation. Net position are categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - Restricted net position result from the constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net position of the Village, not restricted for any project or other purpose. When the Village incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Fund Balances - In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- 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.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification 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. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Village's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of New Accounting Standards - In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide

postemployment benefits other than pensions. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 Government Combinations and Disposals of government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In April 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively.

Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 71 Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data - The Village Council adopts an annual budget for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds and the Enterprise Funds by following the budgetary procedures outlined below. The Village is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The Village compares the final amended budget to actual revenues and expenditures based on the Village's modified accrual basis of accounting.

The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. The Village prepares a proposed interim operating budget based upon input from public hearings conducted to obtain taxpayer comments and management assessment of Village needs and resources available. The operating budget includes proposed expenditures and the means of financing them. A budget is proposed for the General, Special Revenue, Capital Projects, Debt Service and Proprietary Funds.
2. The interim operating budget for the fiscal year commencing July 1 is submitted to the Department of Finance and Administration-Local Government Division by June 1. The Department of Finance reviews the interim budget, makes any needed adjustments and grants interim approval by July 1.
3. The final operating budget for the fiscal year is submitted to the Department of Finance on or before July 31. The Department of Finance reviews the budget and grants approval by September 1.
4. The interim and final budgets are legally enacted through passage of resolutions and the council is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration-Local Government Division.
5. Budgets for funds are adopted on the modified accrual basis of accounting. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.
6. Appropriations lapse at year end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.
7. The level of classification detail in which expenditures may not legally exceed appropriations for each budget is in fund total.

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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 deposit and investment requirements as of June 30, 2014.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institution. 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.

In accordance with FDIC, public unit deposits are funds owned by the Village. 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 unlimited coverage for public unit demand deposits at the same institution.

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 rate of interest in non-demand interest-bearing accounts is set by the State Board of Finance, but the rate of interest will not be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The Village does not have a formal deposit policy for custodial credit risk other than following state statutes. The Village has not suffered any previous losses and management believes any risk of loss of funds is minimal.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least 50% of the amount on deposit with the institution, and 103% for amounts invested in repurchase agreements with the institution.

The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

The schedules listed below disclose requirements on reporting the insured and uninsured portions of the Village's deposits regarding custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the change in interest rates will adversely affect the fair value of the investments. The Village does not have a formal policy to manage its exposure to interest rate risk.

New Mexico Finance Authority Investment - The Village maintains investment funds on account with the New Mexico Finance Authority (NMFA), which in turn invests the funds in the State Treasurer. NMFA's cash on deposit with the State Treasurer is invested by the State Treasurer in "overnight" repurchase programs. State statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Repurchase agreements are collateralized at 103% by the NMFA's internal policies. Funds held by the NMFA acting as trustee for the Village are invested in money market accounts that invest in United States Treasury obligations and/or repurchase agreements secured by U.S. Treasury obligations.

Separate financial statements of the NMFA and State Treasurer collateral, categories of risk, and market value of purchased investments which may differ from the cash deposited with the NMFA by the Village.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Village carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

A summary of the cash deposits at June 30, 2014 is as follows:

	<u>US Bank</u>	<u>Grants State Bank</u>	<u>Bank of Albuquerque</u>	<u>NMFA</u>	<u>Total</u>
Total cash deposits	\$ 1,877,467	\$ 1,598,559	184,679	234,081	\$ 3,894,786
FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(184,679)</u>	<u>(234,081)</u>	<u>(918,760)</u>
Uninsured funds subject to custodial credit risk	1,627,467	1,348,559	-	-	2,976,026

The following summarizes the collateral requirements at June 30, 2014:

50% of uninsured funds	\$ 813,734	\$ 674,279	\$ -	\$ -	\$ 1,488,013
Pledged collateral held by pledging bank's trust department or by agent in Village's name	<u>4,600,000</u>	<u>1,051,292</u>	<u>-</u>	<u>-</u>	<u>5,651,292</u>
Over (under) collateralized	<u>\$ 813,734</u>	<u>\$ 377,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,721</u>

4. ACCOUNTS RECEIVABLE

Governmental receivables as June 30, 2014 are as follows:

	<u>General Fund</u>	<u>CDBG Capital Projects Fund</u>	<u>Co-Op Street Improvements</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 328,613	\$ -	\$ -	\$ 21,611	\$ 350,224
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,200</u>	<u>21,200</u>
Net Receivables	<u>\$ 328,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,811</u>	<u>\$ 371,424</u>

The above receivables are deemed 100% collectible.

Accounts receivable reported in the business-type activities at June 30, 2014 represent net balances due from customers of water and sewer and solid waste services provided by the Village. The following is the detail of the business-type receivables at June 30, 2014:

	Joint Utilities
Utility	\$ 606,278
Allowance for doubtful accounts	<u>(25,413)</u>
Net Receivables	<u>\$ 580,865</u>

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers reflect a transfer of cash due to needs within the fund. The composition of interfund transfers during the year ended June 30, 2014 is as follows:

TRANSFERS:

	<u>Transfer In</u>	<u>Transfer Out</u>
MAJOR FUNDS		
General fund	\$ 210,000	\$ -
CDBG Capital Project Fund	30,000	-
NONMAJOR FUNDS		
Correction	-	(35,000)
Municipal Streets	-	(10,000)
Co-Op Street Improvements	-	(337,118)
ENTERPRISE FUNDS		
Joint Utility	<u>337,118</u>	<u>(195,000)</u>
Total	577,118	(577,118)

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2014, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Restatements</u>	<u>Balance June 30, 2014</u>
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 664,712	\$ 60,030	\$ -	\$ -	\$ 724,742
Construction in progress	<u>29,945</u>	<u>-</u>	<u>(29,945)</u>	<u>-</u>	<u>-</u>
Total	<u>694,657</u>	<u>60,030</u>	<u>(29,945)</u>	<u>-</u>	<u>724,742</u>
Other capital assets being depreciated:					
Buildings and Improvements	5,227,486	-	-	-	5,227,486
Infrastructure	5,904,406	440,722	29,945	-	6,375,073
Furniture and Equipment	1,067,290	31,109	(23,289)	-	1,075,110
Vehicles	<u>1,073,666</u>	<u>57,163</u>	<u>(26,816)</u>	<u>-</u>	<u>1,104,013</u>
Total being depreciated	<u>13,272,848</u>	<u>528,994</u>	<u>(20,160)</u>	<u>-</u>	<u>13,781,682</u>

Less accumulated depreciation

for:

Buildings and Improvements	2,236,678	148,245	-	-	2,384,923
Infrastructure	438,655	122,742	(369)	-	561,028
Furniture and Equipment	942,005	35,767	-	-	977,772
Vehicles	570,164	148,652	(3,368)	-	715,448

Total accumulated depreciation

	<u>4,187,502</u>	<u>455,406</u>	<u>(3,737)</u>	<u>-</u>	<u>4,639,171</u>
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Governmental capital assets, net	<u>\$ 9,780,003</u>	<u>\$ 133,618</u>	<u>\$ (46,368)</u>	<u>\$ -</u>	<u>\$ 9,867,253</u>
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Depreciation expense for the year ended June 30, 2014 was charged to governmental activities as follows:

General Government	\$ 67,933
Public Safety	118,519
Law Enforcement	25,211
Highways and Streets	161,986
Culture and Recreation	<u>81,757</u>
Total	<u>\$ 455,406</u>

	Balance June 30, 2013	Additions	Retirements and Transfers	Balance June 30, 2014
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 927,000	\$ -	\$ -	\$ 927,000
Water rights	1,413,000	-	-	1,413,000
Construction in progress	<u>12,555</u>	<u>-</u>	<u>(12,555)</u>	<u>-</u>
Total not being depreciated	2,352,555	-	(12,555)	2,340,000
Capital assets being depreciated:				
Buildings and Improvements	131,057	90,555	(29,868)	191,744
Plant and System	8,494,905	-	-	8,494,905
Furniture and Equipment	1,026,715	37,240	(59,891)	1,004,064
Vehicles	<u>28,718</u>	<u>-</u>	<u>(28,718)</u>	<u>-</u>
Total being depreciated	<u>9,681,395</u>	<u>127,795</u>	<u>(118,477)</u>	<u>9,690,713</u>
Less accumulated depreciation:				
Buildings and Improvements	63,460	3,828	(811)	66,477
Plant and System	4,933,333	217,699	-	5,151,032
Furniture and Equipment	801,031	53,040	(2,277)	851,794
Vehicles	<u>3,350</u>	<u>-</u>	<u>-</u>	<u>3,350</u>
Total accumulated depreciation	<u>5,801,174</u>	<u>274,567</u>	<u>(3,088)</u>	<u>6,072,653</u>
Business-type capital assets, net	<u>\$ 6,232,776</u>	<u>\$ (146,772)</u>	<u>\$ (127,944)</u>	<u>\$ 5,958,060</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2014 was \$274,567.

7. **LONG TERM DEBT**

Bonds Payable: At June 30, 2014, 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 so 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 1st and interest is payable August 1st and February 1st 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 Bonds have been fully paid off in the year ended June 30, 2014.

Notes Payable: A summary of changes in long-term debt, including capital lease obligations for the year ended June 30, 2014, was as follows:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14
Governmental Activities:				
General Obligation Bonds	\$ 90,000	\$ -	\$ 90,000	\$ -
NMFA Loans	<u>305,732</u>	<u>-</u>	<u>32,777</u>	<u>272,955</u>
Total Governmental Debt	<u>\$ 395,732</u>	<u>\$ -</u>	<u>\$ 122,777</u>	<u>\$ 272,955</u>

	Balance 6/30/13	Additions	Reductions	Balance 06/30/14
Business -Type Activities:				
City of Grants	\$ 144,370	\$ -	\$ 28,548	\$ 115,822
NMFA Loan	<u>1,486,877</u>	<u>-</u>	<u>134,175</u>	<u>1,352,702</u>
Total	<u>\$ 1,631,247</u>	<u>\$ -</u>	<u>\$ 162,723</u>	<u>\$ 1,468,524</u>

Scheduled principal and interest payments on the Village's long term debt are as follows:

Year Ended June 30,	Governmental			Business -Type		Total
	Principal	Interest	Total	Principal	Interest	
2015	\$ 32,310	\$ 3,976	\$ 36,286	\$ 154,772	\$ 55,805	\$ 210,577
2016	32,811	3,475	36,286	161,485	49,092	210,577
2017	33,320	2,966	36,286	168,507	42,070	210,577
2018	33,837	2,449	36,286	175,880	34,724	210,604
2019	34,362	1,925	36,287	149,585	28,038	177,623
2020-2023	<u>106,315</u>	<u>2,543</u>	<u>108,858</u>	<u>658,295</u>	<u>52,196</u>	<u>710,491</u>
Total	<u>\$ 272,955</u>	<u>\$ 17,334</u>	<u>\$ 290,289</u>	<u>\$ 1,468,524</u>	<u>\$ 261,925</u>	<u>\$ 1,730,449</u>

Below are the terms, amounts due within one year, and maturity dates of the Village's outstanding long term debt:

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
Governmental Activities:						
NMFA Loan	1.54%	Monthly	\$3,024	April 2022	<u>32,310</u> <u>\$ 32,310</u>	Fire

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
Business-Type Activities:						
City of Grants	6.50%	Monthly	\$2,746	Dec. 2018	26,198	Joint Utility
NMFA Loan	3.79%	Monthly	\$14,802	May 2023	<u>128,574</u>	Joint Utility
					<u>\$ 154,772</u>	

8. ACCRUED COMPENSATED ABSENCES

The Village pays any accumulated accrued vacation leave in a lump cash payment to employees upon retirement or to the employee's estate in the event of death. Compensation for sick leave is limited to time-off and is not monetarily compensated. The Village does not pay accrued sick leave upon termination.

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
Governmental Activities	\$ 56,169	\$ 2,354	\$ 4,949	\$ 53,574	\$ 5,939
Business-Type Activities	<u>9,068</u>	<u>273</u>	<u>4,610</u>	<u>4,731</u>	<u>4,731</u>
	<u>\$ 65,237</u>	<u>\$ 2,627</u>	<u>\$ 9,559</u>	<u>\$ 58,305</u>	<u>\$ 10,670</u>

9. 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, 2014, the management of NWNMRSWA and the Village do not anticipate any additional significant liability to the Village for closure/post closure costs.

10. RISK MANAGEMENT

The Village is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Village participates in the New Mexico Self-Insurer's Fund risk pool. 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 in any preceding 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-Insurers Fund assesses and estimates the potential for loss.

At June 30, 2014 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 the Village.

11. PERA PENSION PLAN

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

Funding Policy - Plan members are required to contribute 7.00% 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 years ending June 30, 2014, 2013, and 2012 were \$86,766, \$92,067, and

\$89,013, respectively, equal to the amount of the required contributions for each year.

12. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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

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

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

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

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

(1) 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 who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) during the fiscal year ended June 30, 2014, 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, 2014, 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, 2014, 2013 and 2012 were \$26,152, \$23,856, and \$20,588, respectively, which equal the required contributions for each year.

13. **COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Village expects such amount, if any, to be immaterial.

The Village is involved in various claims and lawsuits arising in the normal course of business. The Village is insured through the New Mexico City Insurance Authority. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Village.

Arbitration Agreement and Partial Settlement with the City of Grants

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

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

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

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

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.

14. RESTATEMENT

An error resulting in an overstatement of previously reported Franchise revenue was discovered during the current year. Accordingly, an adjustment of \$366,559 was made during the fiscal year ending June 30, 2014 to true up franchise revenue. A corresponding entry was made to decrease previously reported net position by \$366,559.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	\$ 291,120	\$ 8,676	\$ 299,796
Restricted cash and cash equivalents	5	-	5
Taxes receivables	18,035	3,576	21,611
Intergovernmental receivables	<u>21,200</u>	<u>-</u>	<u>21,200</u>
Total assets	<u>\$ 330,360</u>	<u>\$ 12,252</u>	<u>\$ 342,612</u>
LIABILITIES AND FUND BALANCE			
Liabilities	\$ 7,702	\$ -	\$ 7,702
Accounts payable	1,729	-	1,729
Accrued interest	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	9,431	-	9,431
Fund balances:			
Restricted, reported in:			
Special revenue funds	320,929	-	320,929
Debt service funds	<u>-</u>	<u>12,252</u>	<u>12,252</u>
Total fund balances	<u>320,929</u>	<u>12,252</u>	<u>333,181</u>
Total liabilities and fund balances	<u>\$ 330,360</u>	<u>\$ 12,252</u>	<u>\$ 342,612</u>

STATE OF NEW MEXICO
VILLAGE OF MILAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Funds
Revenues:			
Taxes	\$ 173,466	\$ 13,868	\$ 187,334
Fees, fines and forfeitures	41,180	-	41,180
Other grants and contributions	239,001	-	239,001
Interest and other	4,220	2	4,222
	<u>457,867</u>	<u>13,870</u>	<u>471,737</u>
Total revenues			
Expenditures:			
General government	1,975	137	2,112
Public safety	95,075	-	95,075
Culture and recreation	53	-	53
Highway and streets	226,631	-	226,631
Capital outlay	66,962	-	66,962
Debt service			
Principal	32,777	90,000	122,777
Interest	3,955	2,147	6,102
	<u>427,428</u>	<u>92,284</u>	<u>519,712</u>
Total expenditures			
Excess (deficit) of revenues over expenditures	30,439	(78,414)	(47,975)
Other financing sources:			
Transfer in	-	-	-
Transfers out	(45,000)	-	(45,000)
	<u>(45,000)</u>	<u>-</u>	<u>(45,000)</u>
Total other financing sources			
Net Change in fund balances	(14,561)	(78,414)	(92,975)
Fund balance - beginning of year	335,490	90,666	426,156
Fund balance - end of year	<u>\$ 320,929</u>	<u>\$ 12,252</u>	<u>\$ 333,181</u>

Concluded

See independent auditors' report and accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

CORRECTION 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 1978.

MUNICIPAL STREETS 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.

STATE OF NEW MEXICO
VILLAGE OF MILAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds							Total Special Revenue Funds
	Correction Fund	Fire Protection Fund Fund	Law Enforcement Protection Fund	Lodger Tax Fund	Municipal Streets Fund	Recreation Fund		
ASSETS								
Cash and cash equivalents	\$ 39,879	\$ 83,083	\$ 9,967	\$ 23,986	\$ 111,051	\$ 23,154	\$ 291,120	
Restricted cash and cash equivalents	-	5	-	-	-	-	5	
Taxes receivables	-	-	-	142	17,893	-	18,035	
Intergovernmental receivables	-	-	21,200	-	-	-	21,200	
Total assets	\$ 39,879	\$ 83,088	\$ 31,167	\$ 24,128	\$ 128,944	\$ 23,154	\$ 330,360	
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ -	\$ 360	\$ -	\$ -	\$ 7,342	\$ -	\$ 7,702	
Accrued salaries	-	-	-	-	1,729	-	1,729	
Total liabilities	-	360	-	-	9,071	-	9,431	
Fund balances:								
Restricted, reported in:								
Special revenue funds	39,879	82,728	31,167	24,128	119,873	23,154	320,929	
Total fund balances	39,879	82,728	31,167	24,128	119,873	23,154	320,929	
Total liabilities and fund balances	\$ 39,879	\$ 83,088	\$ 31,167	\$ 24,128	\$ 128,944	\$ 23,154	\$ 330,360	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds							Total Special Revenue Funds
	Correction Fund	Fire Protection Fund	Law Enforcement Protection Fund	Lodger Tax Fund	Municipal Streets Fund	Recreation Fund		
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ 3,063	\$ 170,403	\$ -	\$ -	\$ 173,466
Fees, fines and forfeitures	41,180	-	-	-	-	-	-	41,180
Other grants and contributions	-	190,090	43,600	-	5,311	-	-	239,001
Interest and other	33	2,756	1,338	12	70	11	11	4,220
Total revenues	41,213	192,846	44,938	3,075	175,784	11	11	457,867
Expenditures:								
General government	-	-	-	1,975	-	-	-	1,975
Public safety	24,730	70,345	-	-	-	-	53	95,075
Culture and recreation	-	-	-	-	226,631	-	-	226,631
Highway and streets	-	-	-	-	-	-	-	66,962
Capital outlay	-	39,053	27,909	-	-	-	-	66,962
Debt service	-	32,777	-	-	-	-	-	32,777
Principal	-	3,955	-	-	-	-	-	3,955
Interest	-	-	-	-	-	-	-	-
Total expenditures	24,730	146,130	27,909	1,975	226,631	53	53	427,428
Excess (deficit) of revenues over expenditures	16,483	46,716	17,029	1,100	(50,847)	(42)	(42)	30,439
Other financing sources:								
Transfers in	(35,000)	-	-	-	(10,000)	-	-	(45,000)
Transfers out	(35,000)	-	-	-	(10,000)	-	-	(45,000)
Total other financing sources	(18,517)	46,716	17,029	1,100	(60,847)	(42)	(42)	(14,561)
Net change in fund balances	58,396	36,012	14,138	23,028	180,720	23,196	23,196	335,490
Fund balance - beginning of year	39,879	82,728	31,167	24,128	119,873	23,154	23,154	320,929
Fund balance - end of year								

Continued

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**CORRECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Correction Fees	\$ 13,000	\$ 13,000	\$ 33	\$ (12,967)
Miscellaneous revenue	<u>47,650</u>	<u>47,650</u>	<u>41,180</u>	<u>(6,470)</u>
Total revenues	60,650	60,650	41,213	(19,437)
EXPENDITURES:				
Current				
Public safety	<u>42,310</u>	<u>42,310</u>	<u>24,730</u>	<u>17,580</u>
Total expenditures	<u>42,310</u>	<u>42,310</u>	<u>24,730</u>	<u>17,580</u>
Excess (deficiency) of revenues over expenditures	18,340	18,340	16,483	(1,857)
OTHER FINANCING SOURCES				
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Total other financing sources	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net changes in fund balance	(16,660)	(16,660)	(18,517)	(1,857)
Fund balance - beginning of the year	<u>58,396</u>	<u>58,396</u>	<u>58,396</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 41,736</u>	<u>\$ 41,736</u>	<u>\$ 39,879</u>	<u>\$ (1,857)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (18,517)</u>	
Net change in fund balance GAAP basis			<u>\$ (18,517)</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**FIRE PROTECTION FUND -
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ 149,174	\$ 149,174	\$ 190,090	\$ 40,916
Miscellaneous	40,262	40,262	2,756	(37,506)
Total revenues	189,436	189,436	192,846	3,410
EXPENDITURES:				
Public safety	-	-	70,345	(70,345)
Capital outlay	230,052	230,052	39,053	190,999
Debt service				
Principal	-	-	32,777	(32,777)
Interest	-	-	3,955	(3,955)
Total expenditures	230,052	230,052	146,130	83,922
Excess (deficiency) of revenues over expenditures	(40,616)	(40,616)	46,716	87,332
Net changes in fund balance	(40,616)	(40,616)	46,716	87,332
Fund balance - beginning of the year	36,012	36,012	36,012	-
Fund balance - end of the year	\$ (4,604)	\$ (4,604)	\$ 82,728	\$ 87,332
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 46,716	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ 46,716	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Miscellaneous revenue	\$ 14,138	\$ 14,138	\$ 1,338	\$ (12,800)
State grants	<u>22,400</u>	<u>22,400</u>	<u>43,600</u>	<u>21,200</u>
Total revenues	36,538	36,538	44,938	8,400
EXPENDITURES:				
Current				
Public safety	<u>36,538</u>	<u>36,538</u>	<u>27,909</u>	<u>8,629</u>
Total expenditures	<u>36,538</u>	<u>36,538</u>	<u>27,909</u>	<u>8,629</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>17,029</u>	<u>17,029</u>
Net changes in fund balance	-	-	17,029	17,029
Fund balance - beginning of the year	<u>14,138</u>	<u>14,138</u>	<u>14,138</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 14,138</u>	<u>\$ 14,138</u>	<u>\$ 31,167</u>	<u>\$ 17,029</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 17,029	
Net revenue accruals			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ 17,029</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

LODGER'S TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 3,000	\$ 3,000	\$ 3,063	\$ 63
Miscellaneous	50	50	12	(38)
Total revenues	3,050	3,050	3,075	25
EXPENDITURES:				
Current				
Public safety	4,500	4,500	1,975	2,525
Total expenditures	4,500	4,500	1,975	2,525
Excess (deficiency) of revenues over expenditures	(1,450)	(1,450)	1,100	2,550
Net changes in fund balance	(1,450)	(1,450)	1,100	2,550
Fund balance - beginning of the year	23,028	23,028	23,028	-
Fund balance - end of the year	\$ 21,578	\$ 21,578	\$ 24,128	\$ 2,550
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 1,100	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ 1,100	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

**MUNICIPAL STREETS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 191,500	\$ 191,500	\$ 170,403	\$ (21,097)
Miscellaneous revenue	100	100	70	(30)
State grants	-	-	5,311	5,311
Total revenues	<u>191,600</u>	<u>191,600</u>	<u>175,784</u>	<u>(15,816)</u>
EXPENDITURES:				
Current				
General government	<u>271,968</u>	<u>271,968</u>	<u>226,631</u>	<u>45,337</u>
Total expenditures	<u>271,968</u>	<u>271,968</u>	<u>226,631</u>	<u>45,337</u>
Excess (deficiency) of revenues over expenditures	(80,368)	(80,368)	(50,847)	29,521
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total other financing sources	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net changes in fund balance	(90,368)	(90,368)	(60,847)	29,521
Fund balance - beginning of the year	<u>180,720</u>	<u>180,720</u>	<u>180,720</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 90,352</u>	<u>\$ 90,352</u>	<u>\$ 119,873</u>	<u>\$ 29,521</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (60,847)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			<u>\$ (60,847)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Miscellaneous revenue	\$ 25	\$ 25	\$ 11	\$ (14)
Total revenues	25	25	11	(14)
EXPENDITURES:				
Public safety	500	500	53	447
Total expenditures	500	500	53	447
Excess (deficiency) of revenues over expenditures	(475)	(475)	(42)	433
Net changes in fund balance	(475)	(475)	(42)	433
Fund balance - beginning of the year	23,196	23,196	23,196	-
Fund balance - end of the year	\$ 22,721	\$ 22,721	\$ 23,154	\$ 433
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (42)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ (42)	

See independent auditors' report and accompanying notes to financial statements.

CAPITAL PROJECTS FUNDS

STATE OF NEW MEXICO
VILLAGE OF MILAN

**CDBG CAPITAL PROJECTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 522,500	\$ 522,500	\$ 450,000	\$ (72,500)
Total revenues	522,500	522,500	450,000	(72,500)
EXPENDITURES:				
Current				
Public safety	622,000	622,000	134,603	487,397
Capital outlay	-	-	390,276	(390,276)
Total expenditures	622,000	622,000	524,879	97,121
Excess (deficiency) of revenues over expenditures	(99,500)	(99,500)	(74,879)	24,621
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	30,000	-
Total other financing sources (uses)	30,000	30,000	30,000	-
Net changes in fund balance	(69,500)	(69,500)	(44,879)	24,621
Fund balance - beginning of the year	72,220	72,220	72,220	-
Fund balance - end of the year	\$ 2,720	\$ 2,720	\$ 27,341	\$ 24,621
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (44,879)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ (44,879)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

CO-OP STREET IMPROVEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal grants	\$ 1,331,049	\$ 1,331,049	\$ 115,017	\$ (1,216,032)
Interest income	-	-	283	283
Total revenues	1,331,049	1,331,049	115,300	(1,215,749)
EXPENDITURES:				
Current				
Public safety	1,103,098	1,103,098	150,316	952,782
Capital outlay	-	-	41,778	(41,778)
Total expenditures	1,103,098	1,103,098	192,094	911,004
Excess (deficiency) of revenues over expenditures	227,951	227,951	(76,794)	(304,745)
OTHER FINANCING SOURCES				
Transfers in	226,760	226,760	-	(226,760)
Transfers out	-	-	(337,118)	(337,118)
Total other financing sources	226,760	226,760	(337,118)	(563,878)
Net changes in fund balance	454,711	454,711	(413,912)	(868,623)
Fund balance - beginning of the year	585,356	585,356	585,356	-
Fund balance - end of the year	\$ 1,040,067	\$ 1,040,067	\$ 171,444	\$ (868,623)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (413,912)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ (413,912)	

See independent auditors' report and accompanying notes to financial statements.

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
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2014

	Debt Service Fund
ASSETS	
Cash and cash equivalents	\$ 8,676
Restricted cash and cash equivalents	-
Taxes receivables	<u>3,576</u>
Total assets	<u>\$ 12,252</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ -
Due to other funds	<u>-</u>
Total liabilities	-
Fund balances:	
Restricted, reported in:	
Debt service funds	<u>12,252</u>
Total fund balances	<u>12,252</u>
Total liabilities and fund balances	<u>\$ 12,252</u>

STATE OF NEW MEXICO
VILLAGE OF MILAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2014

	Debt Service Fund
Revenues:	
Taxes	\$ 13,868
Interest and other	<u>2</u>
Total revenues	13,870
Expenditures:	
General government	137
Debt service	
Principal	90,000
Interest	<u>2,147</u>
Total expenditures	<u>92,284</u>
Excess (deficit) of revenues over expenditures	(78,414)
Other financing sources:	
Transfers in (out)	<u>-</u>
Total other financing sources	<u>-</u>
Net Change in fund balances	(78,414)
Fund balance - beginning of year	<u>90,666</u>
Fund balance - end of year	<u>\$ 12,252</u>

STATE OF NEW MEXICO
VILLAGE OF MILAN

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ 40,000	\$ 40,000	\$ 13,868	\$ (26,132)
Interest income (loss)	-	6,132	2	6,130
Total revenues	40,000	46,132	13,870	(20,002)
EXPENDITURES:				
General government	92,100	92,100	137	91,963
Other	400	400	-	400
Principal	-	-	90,000	(90,000)
Interest	-	-	2,147	(2,147)
Total expenditures	92,500	92,500	92,284	216
Excess (deficiency) of revenues over expenditures	(52,500)	(46,368)	(78,414)	(19,786)
Net changes in fund balance	(52,500)	(46,368)	(78,414)	(19,786)
Fund balance - beginning of the year	90,666	90,666	90,666	-
Fund balance - end of the year	\$ 38,166	\$ 44,298	\$ 12,252	\$ (19,786)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (78,414)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ (78,414)	

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUNDS

STATE OF NEW MEXICO
VILLAGE OF MILAN

JOINT UTILITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
OPERATING REVENUES:				
Charges for services	\$ 1,712,000	\$ 1,712,000	\$ 1,946,618	\$ 234,618
Taxes	22,000	22,000	24,158	2,158
Late fees	-	-	11,385	11,385
Interest income	-	-	40	40
Other grants	17,100	17,100	-	(17,100)
Miscellaneous income	-	-	26,237	26,237
Total revenues	<u>1,751,100</u>	<u>1,751,100</u>	<u>2,008,438</u>	<u>257,338</u>
OPERATING EXPENSES:				
Operating costs	<u>1,977,730</u>	<u>1,977,730</u>	<u>1,400,377</u>	<u>577,353</u>
Total operating expenses	<u>1,977,730</u>	<u>1,977,730</u>	<u>1,400,377</u>	<u>577,353</u>
Operating loss	(226,630)	(226,630)	608,061	834,691
NON-OPERATING REVENUE (EXPENSES):				
Interest expense	-	-	(65,194)	(65,194)
Total non-operating revenues (expenses)	-	-	(65,194)	(65,194)
Net loss before transfers	(226,630)	(226,630)	542,867	769,497
Transfers:			337,118	337,118
Transfers in	(195,000)	(195,000)	(195,000)	-
Transfers out	<u>(195,000)</u>	<u>(195,000)</u>	<u>142,118</u>	<u>337,118</u>
Total operating transfers	<u>(195,000)</u>	<u>(195,000)</u>	<u>142,118</u>	<u>337,118</u>
Total net income (loss)	(421,630)	(421,630)	684,985	1,106,615
Fund balance - beginning of the year	<u>6,364,083</u>	<u>6,346,083</u>	<u>6,346,083</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 5,942,453</u>	<u>\$ 5,924,453</u>	<u>\$ 7,031,068</u>	<u>\$ 1,106,615</u>
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 684,985	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			<u>(274,567)</u>	
Net income after transfers-financial statement basis			<u>\$ 410,418</u>	

See independent auditors' report and accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF MILAN

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Court Bonds	\$ 8,623	\$ 536	\$ (2,882)	\$ 6,277

STATE OF NEW MEXICO
VILLAGE OF MILAN

SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2014

	Account Type	Fund Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
US Bank					
General Fund	Checking	Governmental	\$ 64,913	\$ (32,294)	\$ 32,619
Total Checking			<u>64,913</u>	<u>(32,294)</u>	<u>32,619</u>
General Fund	Money Market	Governmental	287,799	43,165	330,964
Joint Utility	Savings	Governmental	1,510,819	(86,897)	1,423,922
Joint Utility	Savings	Business-type	13,936	-	13,936
Total interest bearing			<u>1,812,554</u>	<u>(43,732)</u>	<u>1,768,822</u>
Total deposits			<u>\$ 1,877,467</u>	<u>\$ (76,026)</u>	<u>\$ 1,801,441</u>
Grants State Bank					
General Fund	Checking	Governmental	\$ 820,749	\$ (96,582)	\$ 724,167
Correction Fund	Checking	Governmental	39,879	-	39,879
Fire Protection Fund	Checking	Governmental	83,198	(115)	83,083
Law Enforcement Fund	Checking	Governmental	9,967	-	9,967
Lodger's Tax Fund	Checking	Governmental	23,986	-	23,986
Street Fund	Checking	Governmental	111,051	-	111,051
Recreation Fund	Checking	Governmental	23,154	-	23,154
CDBG Planning Grant	Checking	Governmental	27,341	-	27,341
Co-Op Street Improvement	Checking	Governmental	306,739	-	306,739
Debt Service Funds	Checking	Governmental	8,676	-	8,676
Joint Utility Fund	Checking	Business-type	1,594	-	1,594
Water Deposit Fund	Checking	Business-type	75,496	(18)	75,478
Police Bonds	Checking	Agency Fund	6,277	-	6,277
Total Checking			<u>1,538,107</u>	<u>(96,715)</u>	<u>1,441,392</u>
Water Deposit Fund	Certificate of Deposit	Business-type	60,452	(181)	60,271
Total interest bearing			<u>60,452</u>	<u>(181)</u>	<u>60,271</u>
Total deposits	Checking	Business-type	<u>\$ 1,598,559</u>	<u>\$ (96,896)</u>	<u>\$ 1,501,663</u>
Bank of Albuquerque					
Fire Protection Fund	Checking	Governmental	\$ 9	\$ (5)	\$ 4
Joint Utility Fund	Checking	Business-type	184,670	(260)	184,410
Total deposits			<u>\$ 184,679</u>	<u>\$ (265)</u>	<u>\$ 184,414</u>
New Mexico Finance Authority					
Fire Protection Fund	Checking	Governmental	\$ -	\$ 2	\$ 2
Joint Utility Fund	Checking	Business-type	234,081	(416)	233,665
Total deposits			<u>\$ 234,081</u>	<u>\$ (414)</u>	<u>\$ 233,667</u>
			<u>\$ 3,894,786</u>	<u>\$ (173,601)</u>	<u>\$ 3,721,185</u>

Continued

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2014

Reconciliation of Public Funds to Government-Wide Balance Sheet:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents - Unrestricted	\$ 1,721,727	\$ 1,575,351	\$ 3,297,078
Cash and cash equivalents - Restricted	<u>5</u>	<u>418,075</u>	<u>418,080</u>
	<u>\$ 1,721,732</u>	<u>\$ 1,993,426</u>	<u>\$ 3,715,158</u>
Cash Source:			
US Bank			\$ 1,801,441
Grants State Bank			1,501,663
Bank of Albuquerque			184,414
NMFA			233,667
Less Agency Funds			(6,277)
Petty cash			<u>250</u>
			<u>\$ 3,715,158</u>
			Concluded

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2014

Description of Pledged Collateral	Amount	Name and Location
BERNADILLO NM MSD 1, CUSIP# 085279NY9, Maturing 8/01/2020	\$ 162,081	Grants State Bank
BLOOMFIELD NM MUN SCH DIST BQ, CUSIP# 094077KN3, Maturing 9/1/2019	114,505	Grants State Bank
DULCE ISD NO 21 CALL FR, CUSIP# 264430GJ2 Maturing 5/01/2015	150,387	Grants State Bank
GASDEN NM ISD BQ CALL, CUSIP# 362550KR5 Maturing 8/15/2018	524,080	Grants State Bank
SAN JUAN CNTY NM JRCO, CUSIP# 798360EB5 Maturing 2/15/2016	100,239	Grants State Bank
FEDERAL HOME LOAN BANK 516484	100,000	US Bank
FEDERAL HOME LOAN BANK 516486	2,500,000	US Bank
FEDERAL HOME LOAN BANK 515409	2,000,000	US Bank
Total pledged securities	<u>\$ 5,651,292</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF MILAN

JOINT POWERS AGREEMENTS
JUNE 30, 2014

Joint Power Agreement	Participant	Responsible Party	Description
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	Rio San Jose Flood Control Authority	Provides for administrative space, personnel furniture's, equipment, and utilities for the operation of the Authority
Wildlife Protection Activities	Flood Control Authority Village of Milan and State of New Mexico Energy, Minerals, and Natural Resources	State of New Mexico Energy, Minerals, and Natural Resources Northwest	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	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 confined in the Cibola County Detention Center

See independent auditors' report and accompanying notes to financial statements.

COMPLIANCE SECTION

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

Hector H. Balderas,
New Mexico State Auditor
The Council Members
Village of Milan, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons of the general fund and major special revenue funds of the Village of Milan as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Village of Milan's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village of Milan, presented as supplemental information, and have issued our report thereon dated December 1, 2014.

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 Villages's internal control.

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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2014-001)

A significant deficiency is a deficiency, or a 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. (2008-001(08-01), 2013-002 (2013-02), 2013-003 (2013-03), 2013-005 (2013-05), 2013-006 (2013-06))

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 costs as items (2013-009 (2013-09), 2013-010 (2013-10), 2014-002).

Village's Responses to Findings

The Village of Milan responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Village of Milan 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 solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provided 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.

White + Samaniego + Campbell, LLP

El Paso, Texas
December 1, 2014

STATE OF NEW MEXICO
VILLAGE OF MILAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Section I - Financial Statements Findings:

PRIOR YEAR FINDINGS

2008-001 Late Audit Report	Repeated
2013-001 Capital Assets	Resolved
2013-002 Capital Assets Accounting	Revised and Repeated
2013-003 Bank Reconciliations	Revised and Repeated
2013-004 Stale Dated Checks	Resolved
2013-005 Preparation of Financial Statements	Revised and Repeated
2013-006 Preparation of Trial Balance	Revised and Repeated
2013-007 Travel and Per Diem	Resolved
2013-008 Credit Cards	Resolved
2013-009 Retiree Healthcare (RHCA) Reports and Contributions	Revised and Repeated
2013-010 Deficiencies in Internal Control Structure Design	Revised and Repeated
2013-011 Payroll	Resolved
2013-012 Cash Disbursements	Resolved
2013-013 Timeliness of Deposits	Resolved

CURRENT YEAR FINDINGS

2014-001 Lodger's Tax
2014-002 Public Employees Retirement Act (PERA)

STATE OF NEW MEXICO
VILLAGE OF MILAN

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014

Late Audit Report (2008-001) - Significant Deficiency - Repeated and Revised

CONDITION	The audit report was submitted to the State Auditor after the required deadline of December 1, 2014.
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)
CAUSE	The audit report was submitted to the State Auditor's Office on December 1, 2014 but had revisions from the State Auditor's Office.
EFFECT	State Auditor regulations have not been adhered to. Also, 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 also have an effect on State and Federal funding.
RECOMMENDATION	The Village should work closely with its auditor to make sure that audit reports are submitted in advance of the required deadline in the event that there are revisions required by the State Auditor.
RESPONSE	The Village of Milan will work closely with its auditor to make sure audit reports are submitted in advance of the required deadline.

Capital Assets Accounting (2013-002) - Significant Deficiency - Repeated and Revised

CONDITION	The Village is not tagging their fixed assets and the fixed asset schedule is not agreeing to the general ledger.
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).
CAUSE	The Village had hired personnel to tag all fixed assets and maintain a schedule of fixed assets by department, however before the procedures were implemented the employee ended their employment with the Village. The Village did not hire a new employee to manage fixed assets until FY2015.

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 nor a correct fixed asset schedule, assets may potentially be misstated as of June 30, 2014

RECOMMENDATION The Village should start tagging capital assets and reconcile their fixed asset schedule to their general ledger to ensure that capital assets are properly recorded, tracked and safeguarded.

RESPONSE The Village of Milan has scheduled training and assigned a person to track and tag assets.

Bank Reconciliations (2013-003) - Significant Deficiency - Repeated and Revised

CONDITION The County did not prepare bank reconciliations for various bank accounts for the year ended June 30, 2014.

CRITERIA According to NMAC 2.20.5.18 C. (4), The Village's cash account records shall be reconciled timely each month to the division's reports and to the State Treasurer's reports.

CAUSE The Village was unaware that investment and savings accounts needed to be reconciled on a monthly basis to tie to the general ledger, and record interest income.

EFFECT Cash accounts may not be fairly stated.

RECOMMENDATION The Village should perform complete and accurate bank reconciliations at month end and assign another member of management the responsibility of reviewing each month's bank reconciliation. All unusual reconciling items should be investigated and dealt with promptly to prevent and detect errors.

RESPONSE At this time, the Village is implementing procedures to prepare monthly bank reconciliations for all cash and cash equivalent accounts. The reconciliation is being reviewed and approved by the Village Manager.

Preparation of Financial Statements (2013-005) - Significant Deficiency - Repeated and Revised

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.

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 financial statements.

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.

RECOMMENDATION It is recommended 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.

RESPONSE The Village of Milan will seek certification training for key accounting staff.

Preparation of Trial Balance (2013-006) - Significant Deficiency - Repeated and Revised

CONDITION During audit testwork for revenues, it became apparent that franchise fees were understated by \$375,780. A restatement for this amount was made in order to correct franchise fees received in FY2014 and to tie to the Village's general ledger.

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.

CAUSE The Village 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, 2014. 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).

RECOMMENDATION We recommend that accounting management receive training relating to the preparation for the Village's trial balance 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.

RESPONSE The Village will seek certification training for key accounting staff.

Retiree Health Care (RHC) Reports and Contributions (2013-009) - Other Maters - Repeated and Revised

CONDITION	During audit test work, it was noted that there was a difference of \$13,987 from the Village's general ledger, and the confirmation provided by RHC.
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.
CAUSE	It appears that the Village did not reconcile the wages per the RHC report to the payroll register.
EFFECT	It appears that the RHC report, which reports contributions based on employee's salary amounts, has been misreported for the year ended June 30, 2014. Lack of proper internal control and reconciliation over RHC reporting may result in fines and penalties.
RECOMMENDATION	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.
RESPONSE	The Village's management will adhere to auditors' recommendation.

Deficiencies in Internal Control Structure Design (2013-010) - Other Maters - Repeated and Revised

CONDITION	The Village does not have a current comprehensive documented internal control structure.
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.
CAUSE	The Village has recently undergone an accounting system conversion and has not formally written all internal control policies and procedures.
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.

RECOMMENDATION The Village should document comprehensive internal control structure and ensure that it is followed.

RESPONSE The Village of Milan assisted by the contract accountant will revise internal controls.

Lodger's Tax (2014-001) - Material Weakness

CONDITION The Village did not collect lodgers tax during the last four months of FY2014 for one establishment. The Village also failed to identify that January tax had not been collected for a second establishment, but continued to receive money for the preceding months. In addition, during audit testwork it was noted that several times during the year the Village received payments less than the expected 5% of gross sales, and did not perform audits to ensure amounts were properly taxed.

CRITERIA According to NMSA 1978 Section 3-38-13 to 3-38-24, municipalities may assess an occupancy tax up to 5% of revenues to lodging establishments by ordinance. The Village is also responsible for performing audits on these establishments and an advisory board must be created.

CAUSE The Village did not receive several months of lodgers tax from several lodging establishments during the year ended FY2014 and the Village did not perform any activities to ensure the amounts were correctly reported. Furthermore, the Village did not implement any procedures to collect the proper amounts from all the establishments.

EFFECT The Village's lodgers revenue was understated during fiscal year 2014.

RECOMMENDATION It is recommended that the Village implements an advisory board to monitor lodgers tax activity and ensure the Village is collecting the proper amount of taxes.

RESPONSE The Village is currently implementing procedures to ensure they collect the correct amount of lodgers tax.

Public Employees Retirement Act (PERA) (2014-002) - Other Matters

CONDITION During audit test work, it was noted that there was a difference of \$7,121 from the Village's general ledger, and the confirmation provided by PERA.

CRITERIA According to NMSA 1978 Section 10-11-1 and 10-11-38, auditors should ensure 100% of payroll is reported to PERA. PERA contributions will be calculated based on an employee's salary. These contributions must be accurately reported and agree to Village financial records.

CAUSE It appears that the Village did not reconcile the wages per the PERA report to the payroll register.

EFFECT

It appears that the PERA report, which reports contributions based on employee's salary amounts, has been misreported for the year ended June 30, 2014. Lack of proper internal control and reconciliation over PERA reporting may result in fines and penalties.

RECOMMENDATION

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.

RESPONSE

The Village's management will adhere to auditor's recommendation.

**STATE OF NEW MEXICO
VILLAGE OF MILAN**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2014**

An exit conference was held on November 26, 2014 in a closed meeting with the following Village officials:

George Knotts
Vivian Brumbelow
Marcella Sandoval
Theresa Garcia
Esther Barnes

Mayor
Mayor Pro Term
Village Manager
Village Clerk
Payroll Clerk

White + Samaniego + Campbell, LLP

Nancy Escobar

Audit Staff

The financial statements presented in this report were compiled with the assistance of the auditors, White + Samaniego + Campbell, LLP. However, the contents of the financial statements remain the responsibility of management.