

# PORCH & ASSOCIATES LLC

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF MILAN, NEW MEXICO

Financial Statements, Supplementary Information  
and  
Independent Auditors' Report

June 30, 2016

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**VILLAGE OF MILAN, NEW MEXICO**

**List of Principal Officials**

**June 30, 2016**

**Elected Officials**

George Knotts	Mayor
Orlando R. Gallegos	Mayor Pro-Tem
Vivian Brumbelow	Trustee
Helen M. Dayan	Trustee
Felix O. Gonzales	Trustee

**Administrative Officials**

Marcella Sandoval	Village Manager
Theresa A. Garcia	Village Clerk

**Independent Auditor's Report**

Mr. Timothy Keller, New Mexico State Auditor and  
Mr. George W. Knotts, Mayor and  
The Village Board of Trustees  
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, and the aggregate remaining fund information, and the budgetary comparison for the general fund of the Village of Milan, New Mexico (Village), as of and for the year ended June 30, 2016, 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 the major enterprise funds and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, 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.

**Auditor's Responsibility**

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

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

Mr. Timothy Keller, New Mexico State Auditor and  
Mr. George W. Knotts, Mayor and  
The Village Board of Trustees  
Village of Milan, New Mexico

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, New Mexico, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major enterprise funds, major capital project fund, and nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis, that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules related to the Villages pension plan 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

Mr. Timothy Keller, New Mexico State Auditor and  
Mr. George W. Knotts, Mayor and  
The Village Board of Trustees  
Village of Milan, New Mexico

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 the Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedules required by Section 2.2.2 NMAC, as listed in the Supplementary Information – Supporting Schedules section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 as listed in the Supplementary Information – Other Schedules section of the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Mr. Timothy Keller, New Mexico State Auditor and  
Mr. George W. Knotts, Mayor and  
The Village Board of Trustees  
Village of Milan, New Mexico

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government auditing standards*, we have also issued our report dated December 10, 2016 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

*Porch & Associates, LLC*

Albuquerque, New Mexico  
December 10, 2016

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,981,347	1,359,496	3,340,843
Cash and cash equivalents - restricted	5	280,115	280,120
Receivables:			
Taxes:			
Gross receipts	329,391	-	329,391
Gasoline	12,487	-	12,487
Cibola Transit Authority	10,941	-	10,941
Property	3,679	-	3,679
Lodger's	293	-	293
Franchise	14,693	-	14,693
Grants	464,653	-	464,653
Due from other funds	4,143	41,932	46,075
Accounts receivable, net of allowance	-	281,699	281,699
Other assets	-	683	683
Capital assets, not depreciated	2,489,258	2,395,929	4,885,187
Capital assets, net of accumulated depreciation	8,770,095	3,305,165	12,075,260
<b>Total assets</b>	<b>14,080,985</b>	<b>7,665,019</b>	<b>21,746,004</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pension	96,399	17,012	113,411
<b>LIABILITIES</b>			
Accounts payable	320,659	158,574	479,233
Accrued compensation and benefits	77,531	8,974	86,505
Interest payable	-	11,443	11,443
Deposits payable	-	60,973	60,973
Due to other funds	-	46,075	46,075
Compensated absences, due in one year	45,373	10,230	55,603
Compensated absences, due in more than one year	15,124	-	15,124
Long-term liabilities, due in one year	33,370	179,004	212,374
Long-term liabilities, due in more than one year	173,590	948,270	1,121,860
Net pension liability	1,151,100	203,135	1,354,235
<b>Total liabilities</b>	<b>1,816,747</b>	<b>1,626,678</b>	<b>3,443,425</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	33,778	5,961	39,739
<b>NET POSITION</b>			
Net investment in capital assets	11,052,393	4,573,820	15,626,213
Restricted for capital projects	465,076	-	465,076
Restricted for debt service	20,859	-	20,859
Unrestricted	788,531	1,475,572	2,264,103
<b>Total net position</b>	<b>\$ 12,326,859</b>	<b>6,049,392</b>	<b>18,376,251</b>

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

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2016**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary government</b>							
Governmental activities							
General government	\$ 1,529,585	45,917	90,000	255,515	(1,138,153)	-	(1,138,153)
Public safety	1,088,244	40,555	176,285	-	(871,404)	-	(871,404)
Highways and streets	785,139	-	-	825,608	40,469	-	40,469
Culture and recreation	548,825	-	-	-	(548,825)	-	(548,825)
<b>Total governmental activities</b>	<u>3,953,613</u>	<u>86,472</u>	<u>266,285</u>	<u>1,081,123</u>	<u>(2,519,733)</u>	<u>-</u>	<u>(2,519,733)</u>
Business-type activities							
Joint Utility	1,491,800	1,555,165	-	-	-	63,365	63,365
<b>Total primary government</b>	<u>\$ 5,445,413</u>	<u>1,641,637</u>	<u>266,285</u>	<u>1,081,123</u>	<u>(2,519,733)</u>	<u>63,365</u>	<u>(2,456,368)</u>
General Revenues:							
Gross receipts taxes					1,996,949	23,584	2,020,533
Gasoline taxes					177,845	-	177,845
Property taxes					254,693	-	254,693
Motor vehicle registrations					21,626	-	21,626
Lodger's taxes					2,942	-	2,942
Franchise taxes					83,768	-	83,768
Rentals					38,333	-	38,333
Interest					1,942	49	1,991
Other					60,910	(2,545)	58,365
Late charges					-	10,976	10,976
Transfers					510,000	(510,000)	-
<b>Total general revenues and transfers</b>					<u>3,149,008</u>	<u>(477,936)</u>	<u>2,671,072</u>
<b>Change in net position</b>					<u>629,275</u>	<u>(414,571)</u>	<u>214,704</u>
Net position, beginning of year					11,697,584	6,386,564	18,084,148
Restatement					-	77,399	77,399
Net position, beginning of year, as restated					<u>11,697,584</u>	<u>6,463,963</u>	<u>18,161,547</u>
<b>Net position, end of year</b>					<u>\$ 12,326,859</u>	<u>6,049,392</u>	<u>18,376,251</u>

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

**VILLAGE OF MILAN, NEW MEXICO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2016**

	General	CDBG	Co-Op Street Improvements	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,641,569	68,386	46,686	224,706	1,981,347
Cash and cash equivalents - restricted	-	-	-	5	5
Receivables:					
Taxes:					
Gross receipts	329,391	-	-	-	329,391
Gasoline	-	-	-	12,487	12,487
Cibola Transit Authority	10,941	-	-	-	10,941
Property	3,679	-	-	-	3,679
Lodger's	-	-	-	293	293
Franchise	14,693	-	-	-	14,693
Grants	-	442,253	-	22,400	464,653
Due from other funds	147,476	-	169,103	-	316,579
<b>Total assets</b>	<b>\$ 2,147,749</b>	<b>510,639</b>	<b>215,789</b>	<b>259,891</b>	<b>3,134,068</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 49,860	261,352	-	9,447	320,659
Accrued compensation and benefits	73,682	-	-	3,849	77,531
Due from other funds	310,607	-	-	1,829	312,436
<b>Total liabilities</b>	<b>434,149</b>	<b>261,352</b>	<b>-</b>	<b>15,125</b>	<b>710,626</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	50,050	-	-	-	50,050
<b>FUND BALANCES</b>					
Restricted for:					
Special revenue funds	-	-	-	223,907	223,907
Capital projects funds	-	249,287	215,789	-	465,076
Debt service funds	-	-	-	20,859	20,859
Unassigned	1,663,550	-	-	-	1,663,550
<b>Total fund balances</b>	<b>1,663,550</b>	<b>249,287</b>	<b>215,789</b>	<b>244,766</b>	<b>2,373,392</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,147,749</b>	<b>510,639</b>	<b>215,789</b>	<b>259,891</b>	<b>3,134,068</b>

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

**VILLAGE OF MILAN, NEW MEXICO**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**

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

<b>Total fund balance - governmental funds</b>	\$ 2,373,392
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,259,353
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	50,050
Accrued compensated absences not payable from current revenues.	(60,497)
Long-term liabilities, including the net pension liability, are not and payable in the current period and, therefore are not reported in the governmental fund.	(1,358,060)
Deferred outflows of resources related to pension are not due and payable in the current period and, therefore, are not reported in the governmental funds.	96,399
Deferred inflows of resources related to pensions are not received in the current period and, therefore, are not reported in the governmental funds.	<u>(33,778)</u>
<b>Net position - governmental activities</b>	<u><u>\$ 12,326,859</u></u>

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

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2016**

	General	CDBG	Co-Op Street Improvements	Nonmajor Governmental Funds	Total
<b>Revenues</b>					
Taxes	\$ 2,305,606	-	-	182,167	2,487,773
Licenses, permits, fees, and fines	45,917	-	-	40,555	86,472
From federal sources:					
Grants	-	500,000	-	-	500,000
From non-federal sources:					
Grants	255,515	-	325,608	22,400	603,523
Intergovernmental	90,000	-	-	153,885	243,885
Rental	38,333	-	-	-	38,333
Interest	1,699	-	146	97	1,942
Other	57,310	-	-	3,600	60,910
<b>Total revenues</b>	<u>2,794,380</u>	<u>500,000</u>	<u>325,754</u>	<u>402,704</u>	<u>4,022,838</u>
<b>Expenditures</b>					
Current					
General government	1,238,452	-	-	4,764	1,243,216
Public safety	817,743	-	-	96,265	914,008
Highways and streets	376,718	-	-	237,930	614,648
Culture and recreation	467,283	-	-	361	467,644
Debt service - principal	-	-	-	33,093	33,093
Debt service - interest	-	-	-	1,820	1,820
Capital outlay	345,044	308,054	792,388	61,789	1,507,275
<b>Total expenditures</b>	<u>3,245,240</u>	<u>308,054</u>	<u>792,388</u>	<u>436,022</u>	<u>4,781,704</u>
Deficiency of revenues over expenditures before other financings sources	<u>(450,860)</u>	<u>191,946</u>	<u>(466,634)</u>	<u>(33,318)</u>	<u>(758,866)</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	510,000	-	510,000
<b>Net change in fund balances</b>	<u>(450,860)</u>	<u>191,946</u>	<u>43,366</u>	<u>(33,318)</u>	<u>(248,866)</u>
Fund balance, beginning of year	<u>2,114,410</u>	<u>57,341</u>	<u>172,423</u>	<u>278,084</u>	<u>2,622,258</u>
<b>Fund balance, end of year</b>	<u>\$ 1,663,550</u>	<u>249,287</u>	<u>215,789</u>	<u>244,766</u>	<u>2,373,392</u>

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

**VILLAGE OF MILAN, NEW MEXICO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2016**

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

**Net changes in fund balances - governmental funds** \$ (248,866)

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

Depreciation expense	(466,757)	
Capital outlay	<u>1,291,499</u>	
Excess of depreciation over capital outlay		824,742

The repayment of the principal of capital loans consumes the current financial resources of governmental funds, but has no effect on net position. 33,093

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 50,050

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. 4,961

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in deferred outflows of resources related to pensions		96,399
Change in deferred inflows of resources related to pensions		<u>(131,104)</u>

**Change in net position - governmental activities** \$ 629,275

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

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 2,379,902	2,379,902	2,342,950	(36,952)
Licenses, permits, fees, and fines	7,100	7,100	45,917	38,817
Grants	-	-	255,515	255,515
Intergovernmental	90,000	90,000	90,000	-
Rental	-	-	38,333	38,333
Interest	1,750	1,750	1,699	(51)
Other	671,070	671,070	57,310	(613,760)
<b>Total revenues</b>	<b>3,149,822</b>	<b>3,149,822</b>	<b>2,831,724</b>	<b>(318,098)</b>
Expenditures				
General government	1,140,670	1,076,699	1,205,078	(128,379)
Public safety	1,095,003	1,095,003	817,743	277,260
Highways and streets	199,570	263,541	376,718	(113,177)
Culture and recreation	772,463	772,463	467,283	305,180
Capital outlay	1,134,180	1,134,180	345,044	789,136
<b>Total expenditures</b>	<b>4,341,886</b>	<b>4,341,886</b>	<b>3,211,866</b>	<b>1,130,020</b>
Deficiency of revenues over expenditures	(1,192,064)	(1,192,064)	(380,142)	811,922
Other financing sources (uses)				
Operating transfers in	150,000	150,000	-	(150,000)
Net change in fund balance	(1,042,064)	(1,042,064)	(380,142)	661,922
Prior year cash appropriated	1,042,064	1,042,064	380,142	
	\$ -	-	-	
Budgetary revenues			\$ 2,831,724	
Change in taxes receivable			(37,344)	
GAAP revenues			<u>\$ 2,794,380</u>	
Budgetary expenditures			\$ 3,211,866	
Changes in accounts payable			21,740	
Changes in accrued compensation and benefits			11,634	
GAAP expenditures			<u>\$ 3,245,240</u>	

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



**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF NET POSITION -**  
**PROPRIETARY FUND**  
**June 30, 2016**

	Joint Utility
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 1,359,496
Accounts receivable, net of allowance	281,699
Due from other funds	41,932
Other assets	683
<b>Total current assets</b>	<u>1,683,810</u>
Noncurrent Assets	
Restricted cash and cash equivalents	280,115
Capital assets, net of accumulated depreciation	5,701,094
<b>Total noncurrent assets</b>	<u>5,981,209</u>
<b>Total assets</b>	<u>7,665,019</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	<u>17,012</u>
<b>LIABILITIES AND NET POSITION</b>	
Current Liabilities	
Accounts payable	158,574
Accrued compensation and benefits	8,974
Interest payable	11,443
Deposits payable	60,973
Due to other funds	46,075
Compensated absences	10,230
Long-term debt	179,004
<b>Total current liabilities</b>	<u>475,273</u>
Noncurrent Liabilities	
Long-term debt, less current maturities	948,270
Net pension liability	203,135
<b>Total noncurrent liabilities</b>	<u>1,151,405</u>
<b>Total liabilities</b>	<u>1,626,678</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>5,961</u>
Net Position	
Net investments in capital assets	4,573,820
Unrestricted	1,475,572
<b>Total net position</b>	<u>\$ 6,049,392</u>

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

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2016**

	Joint Utilities
Operating Revenues	
Charges for services	\$ 1,555,165
Late charges	10,976
	<u>1,566,141</u>
Operating Expenses	
Operating expenses	1,196,532
Depreciation	243,953
<b>Total operating expenses</b>	<u>1,440,485</u>
Operating (Loss) Income	<u>125,656</u>
Nonoperating Revenues (Expenses)	
Interest income	49
Interest expense	(51,315)
Gross receipts tax	23,584
Other income (expense)	(2,545)
Transfers out	(510,000)
<b>Total nonoperating revenues (expenses)</b>	<u>(540,227)</u>
<b>Change in net position</b>	<u>(414,571)</u>
Net position, beginning of year	6,386,564
Restatement	77,399
Net position, beginning of year, as restated	<u>6,463,963</u>
<b>Net position, end of year</b>	<u><u>\$ 6,049,392</u></u>

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

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2016**

	Joint Utilities
Cash Flows From Operating Activities	
Cash received from customers	\$ 1,553,856
Cash payments to vendors and employees	(1,128,369)
<b>Net cash provided by operating activities</b>	<u>425,487</u>
Cash Flows From Noncapital and Related Financing Activities	
Gross receipts tax	23,584
Other expense	(2,545)
Net change in due to/due from balances	1,917
Operating transfers out	(510,000)
<b>Net used provided by noncapital financing activities</b>	<u>(487,044)</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(222,204)
Principle payment on debt	(173,900)
Interest payment on debt	(39,872)
<b>Net cash used by capital and related financing activities</b>	<u>(435,976)</u>
Cash Flows From Investing Activities	
Interest income	49
<b>Net change in cash and cash equivalents</b>	<u>(497,484)</u>
Cash, beginning of year	<u>2,137,095</u>
<b>Cash, end of year</b>	<u><u>\$ 1,639,611</u></u>

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

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS (CONTINUED)**  
**Year Ended June 30, 2016**

	Joint Utilities
Operating income	\$ 125,656
Adjustments to reconcile operating income to net cash flows:	
Depreciation expense	243,953
Changes in assets and liabilities:	
Accounts receivable	(12,285)
Deferred outflows of resources	(1,282)
Accounts payable	81,704
Accrued compensated and benefits	2,448
Deposits payable	(22,258)
Compensated absences	145
Net pension liability	59,328
Deferred inflows of resources	(51,922)
<b>Net cash provided by operating activities</b>	<u><u>\$ 425,487</u></u>

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

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF FIDUCIARY NET POSITION -**  
**AGENCY FUNDS**  
**June 30, 2016**

**ASSETS**

Current assets

Cash and cash equivalents

\$ 6,368

**Total assets**

\$ 6,368

**LIABILITIES**

Current liabilities

Due to other entities

\$ 6,368

**Total liabilities**

\$ 6,368

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

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Entity. The Village of Milan (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 principle 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 with subsequent GASB pronouncement (Statements and interpretation), constitutes GAAP for governmental units. The more significant of the Village's accounting policies are described below.

**A. Financial Reporting Entity**

The Village Board of Trustees (Board) 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 Standard 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.

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 Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**A. Financial Reporting Entity (Continued)**

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

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

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

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

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

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

*Imposed nonexchange revenues – property taxes* are levied and collected by the Cibola County treasurer on behalf of the Village. The taxes are levied in November and payable in two installments, November 10<sup>th</sup> and May 10<sup>th</sup>. The County remits to the Village a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 60 days after the date on which they are due.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**A. Financial Reporting Entity (Continued)**

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

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

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

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

The Village reports the following major governmental funds:

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

*Co-Op Improvements and CDBG Capital Projects Funds.* The 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 and grants.



**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**A. Financial Reporting Entity (Continued)**

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

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Village reports the following major proprietary funds:

*Joint Utility Enterprise Fund.* The 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.

**B. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, money market funds, and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value that is determined by using selected bases. 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.

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

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**B. Cash and Cash Equivalents (Continued)**

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

**C. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the year-end are recorded as prepaid items.

**D. Capital Assets**

Capital assets, which include software, library books, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**VILLAGE OF MILAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

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

**D. Capital Assets (Continued)**

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

Improvements other than buildings	10 - 50 years
Buildings and structures	30 years
Machinery and equipment	5 - 50 years
Furniture and fixtures	5 - 30 years
Infrastructure	5 - 50 years

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

Buildings and other improvements	25 - 33 years
Water and sewer system	20 - 50 years
Machinery and equipment	5 - 10 years

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

**E. Intangible Assets**

Under Statement of ASC 350, *Intangibles - Goodwill and Other*, intangible assets with indefinite lives are no longer amortized. Indefinite lived intangible assets, such as water rights, are tested for impairment on an annual basis. There were no intangible assets at year-end.

**F. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Village has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**G. Pensions – Deferred Inflows and Deferred Outflows or Resources**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when the payable in accordance with the benefit terms. Investments are reported at fair value.

**H. Accrued Employee Benefits**

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

**I. Fund Balances**

The Village follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e., Village Council). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.

**VILLAGE OF MILAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

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

**I. Fund Balances (Continued)**

- Assigned fund balance—amounts the Village intends to use for a specific purpose. Intent can be expressed by the Village Council or by an official or body to which the Village Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Village Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Village Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Village considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Village Council have provided otherwise in its commitment or assignment actions.

**Major Funds**

The Village's CDBG and Co-Op Street Improvements funds have fund balances restricted to the improvement of Village roads.

**Other Funds**

*Restricted Fund Balances.* The Corrections, Fire Protection, Law Enforcement Protection, Lodger's Tax Reserve, Municipal Streets, Recreation, and Debt Service funds have fund balances restricted due to enabling legislation or debt agreements. The purpose of each fund and reference to the enabling legislation may be found on page 47.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**J. Net Position**

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

**K. Interfund Transactions**

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

**L. Cash Flows**

For purposes of the Statement of Cash Flows, the various enterprise funds considers checking accounts, money market accounts, certificates of deposit, and highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**M. Budgetary Information**

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, capital projects, and enterprise funds. The Village does not prepare a budget for the debt service fund.

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

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

**N. Use of Estimates**

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

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**O. Implementation of New Accounting Standards**

During the year ended June 30, 2016, the Village adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The statement will not have a material impact on the Village’s financial statements.

GASB No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement will not have a material impact on the Village’s financial statements.



**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 2 CASH**

*Deposits*

*Custodial Credit Risk - Deposits.* Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2016, the Village's bank balance total of \$3,495,888 was exposed to credit risk in the amount of \$2,995,888 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 2,995,888</u>
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Village is required to collateralize an amount equal to one-half of the public money in excess of federally insured balances at each financial institution.

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

Balances held by the New Mexico Finance Authority do not require insurance or collateral.

**NOTE 3 ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS**

Accounts receivable represents billings for water and waste water fees. It is management's policy to cut off water and waste water services for non-payment. A lien is placed on the properties which have outstanding water bills.

Accounts receivable is comprised of the following at June 30, 2016:

Accounts receivable	\$ 308,730
Allowance for uncollectible accounts	<u>(27,031)</u>
Accounts receivable, net of allowance	<u>\$ 281,699</u>

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 4 CAPITAL ASSETS**

Governmental fund capital asset activity for the year ending June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not depreciated				
Land	\$ 593,375	-	-	593,375
Construction in process	779,443	1,116,440	-	1,895,883
<b>Total, not depreciated</b>	<u>\$ 1,372,818</u>	<u>1,116,440</u>	<u>-</u>	<u>2,489,258</u>
Capital assets, depreciated				
Buildings and improvements	\$ 5,225,537	28,577	-	5,254,114
Land improvements	131,367	-	-	131,367
Infrastructure	6,380,212	-	-	6,380,212
Furniture and equipment	815,565	98,694	(90,000)	824,259
Vehicles	1,610,569	47,788	(49,724)	1,608,633
<b>Total, depreciated</b>	<u>14,163,250</u>	<u>175,059</u>	<u>(139,724)</u>	<u>14,198,585</u>
Accumulated depreciation for				
Buildings and improvements	2,452,282	107,979	-	2,560,261
Land improvements	4,777	4,777	-	9,554
Infrastructure	764,307	168,270	-	932,577
Furniture and equipment	613,676	26,150	(90,000)	549,826
Vehicles	1,266,415	159,581	(49,724)	1,376,272
<b>Total accumulated depreciation</b>	<u>5,101,457</u>	<u>466,757</u>	<u>(139,724)</u>	<u>5,428,490</u>
<b>Total capital assets, depreciated, net</b>	<u>\$ 9,061,793</u>	<u>(291,698)</u>	<u>-</u>	<u>8,770,095</u>
<b>Total capital assets, net</b>	<u>\$ 10,434,611</u>	<u>824,742</u>	<u>-</u>	<u>11,259,353</u>

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

General government	\$ 70,348
Public safety	147,166
Highways and streets	169,103
Culture and recreation	<u>80,140</u>
<b>Total depreciation expense</b>	<u>\$ 466,757</u>

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Enterprise fund capital asset activity for the year ending June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Prior Period Adjustment	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not depreciated:					
Land	\$ 695,250	-	-	-	<b>695,250</b>
Water rights	1,413,000	-	-	-	<b>1,413,000</b>
Construction in process	94,735	192,944	-	-	<b>287,679</b>
<b>Total, not depreciated</b>	<b>\$ 2,202,985</b>	<b>192,944</b>	<b>-</b>	<b>-</b>	<b>2,395,929</b>
Capital assets, depreciated:					
Buildings and improvements	\$ 181,844	-	-	-	<b>181,844</b>
Plant and system	8,485,125	14,377	-	67,933	<b>8,567,435</b>
Furniture and fixtures	1,076,511	14,883	(39,438)	37,240	<b>1,089,196</b>
Vehicles	26,795	-	-	-	<b>26,795</b>
<b>Total, depreciated</b>	<b>9,770,275</b>	<b>29,260</b>	<b>(39,438)</b>	<b>105,173</b>	<b>9,865,270</b>
Accumulated depreciation for:					
Buildings and improvements	72,233	4,263	-	-	<b>76,496</b>
Plant and system	5,359,811	195,919	-	16,602	<b>5,572,332</b>
Furniture and fixtures	895,310	38,227	(39,438)	11,172	<b>905,271</b>
Vehicles	462	5,544	-	-	<b>6,006</b>
<b>Total accumulated depreciation</b>	<b>6,327,816</b>	<b>243,953</b>	<b>(39,438)</b>	<b>27,774</b>	<b>6,560,105</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 3,442,459</b>	<b>(214,693)</b>	<b>-</b>	<b>77,399</b>	<b>3,305,165</b>
<b>Total capital assets, net</b>	<b>\$ 5,645,444</b>	<b>(21,749)</b>	<b>-</b>	<b>77,399</b>	<b>5,701,094</b>

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 5 LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS**

During the year ended June 30, 2016, the following changes occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated					
absences	\$ 65,458	67,108	(72,069)	<b>60,497</b>	45,373
Note payable	240,053	-	(33,093)	<b>206,960</b>	33,370
Net pension liability	814,908	336,192	-	<b>1,151,100</b>	-
<b>Total</b>	<u>\$1,120,419</u>	<u>403,300</u>	<u>(105,162)</u>	<u><b>1,418,557</b></u>	<u>78,743</u>

*Note Payable.* The Village entered into a loan agreement with NMFA on April 4, 2012, for principal amount of \$326,157. The proceeds were used to purchase equipment for two fire trucks. The term is for 10 years and bears interest rate of 1.535%. In addition, the Village's Annual State Fire Allotment is pledged as repayment for the loan and the annual debt service payment is due in July of each year.

The schedule principal and interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 33,370	3,362	36,732
2018	33,691	3,041	36,732
2019	34,112	2,620	36,732
2020	34,627	2,105	36,732
2021	35,237	1,495	36,732
2022	35,923	809	36,732
	<u>\$ 206,960</u>	<u>13,432</u>	<u>220,392</u>

*Accrued Compensated Absences.* Employees accrue either eight or ten hours per pay period depending on if the employee has been with the village less than or more than ten years, respectively. Employees with ten or less years of service may accrue a maximum number of annual leave of 96 hours. Employees with more than ten years of service may accrue a maximum number of annual leave of 120 hours. Compensated absence balances have been liquidated with general fund money in prior years.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 6 LONG-TERM DEBT - ENTERPRISE FUNDS**

During the year ended June 30, 2016, the following changes occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Compensated absences	\$ 10,085	15,437	(15,292)	<b>10,230</b>	10,230
Net pension liability	143,807	59,328	-	<b>203,135</b>	-
Notes payable	1,301,174	-	(173,988)	<b>1,127,186</b>	179,004
<b>Total</b>	<b>\$ 1,455,066</b>	<b>74,765</b>	<b>(189,280)</b>	<b>1,340,551</b>	<b>189,234</b>

*Note Payable - City of Grants.* In June 1998, pursuant to an arbitration and partial settlement agreement, the Village agreed to purchase a 17.41% ownership interest in the wastewater treatment facility from the City of Grants. The purchase price was \$1,590,000. At closing, the Village made a down payment of \$850,000 and is making monthly debt service payments of \$3,083. Note 13, discloses the terms of the acquisition. The note matures in December 2018.

The schedule principal and interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 34,617	2,384	37,001
2018	18,156	343	18,499
	<u>\$ 52,773</u>	<u>2,727</u>	<u>55,500</u>

*New Mexico Finance Authority (NMFA) Loan.* The Village's Joint Utility Enterprise Fund accounts for a loan agreement pursuant to Ordinance No. 200 dated August 4, 2003, between the Village and NMFA. The proceeds of the note were used to acquire land and appurtenant water rights. The principal amount of the note was \$2,583,296 of which \$240,000 was used to purchase the land and water rights, and \$183,926 was used to establish a reserve account. Interest on the note is at 3.792%, which includes a 0.25% administrative fee. Interest and principal payments are due May 1st and November 1st of each year. The note matures on May 1, 2023. The note is collateralized by the Village's gross receipts taxes.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

The schedule principal and interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 144,388	42,077	186,465
2018	148,791	36,858	185,649
2019	148,758	31,327	180,085
2020	151,605	25,643	177,248
2021	156,124	19,708	175,832
2022 to 2023	324,747	20,299	345,046
	<u>\$ 1,074,413</u>	<u>175,912</u>	<u>1,250,325</u>

**NOTE 7 PROPERTY TAXES**

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

**NOTE 8 INTERFUND OPERATING TRANSFERS**

The Joint Utility proprietary fund transferred \$510,000 to the Co-Op Street Improvement fund during the year ended June 30, 2016. The money was used to meet matching requirements for grants.

**VILLAGE OF MILAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 9 DUE TO AND DUE FROM OTHER FUNDS**

A summary of the due from and due to other funds at June 30, 2016 is as follows:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
Major Funds:		
General	\$ 147,476	310,607
Co-Op Street Improvement	169,103	-
Non-major Funds:		
Fire Protection	-	989
Municipal Streets	-	840
Proprietary Funds		
Joint Utility	41,932	46,075
<b>Total</b>	<u>\$ 358,511</u>	<u>358,511</u>

**NOTE 10 CONTINGENT DEBT OBLIGATION**

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

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

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

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 10 CONTINGENT DEBT OBLIGATION (CONTINUED)**

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, 2015, the management of NWNMRSWA and the Village do not anticipate any additional significant liability to the Village for closure/post closure costs.

**NOTE 11 PERA PENSION PLAN**

*Plan description.* The Public Employees Retirement Fund (PERA Fund) is a cost sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://www.saonm.org/> using the Audit Report Search function for agency 366.

*Benefits provided* – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015, available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf)



**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 11 PERA PENSION PLAN (CONTINUED)**

*Contributions* – The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at:

[http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf)

The PERA coverage option that applies to Village is The Municipal General Division and the Municipal Police Division. Statutorily required contributions to the pension plan from the Village were \$113,411 for the year ended June 30, 2016.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement dated June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 11 PERA PENSION PLAN (CONTINUED)**

PERA Municipal General Division

For the PERA Municipal General Division, at June 30, 2016, the Village reported a liability of \$920,880 for its proportionate share of the net pension liability. At June 30, 2015, the Village's proportion was 0.1066%, which increased from its proportion measured as of June 30, 2014 of 0.1015%.

For the year ended June 30, 2016, the Village recognized PERA Municipal General Division pension expense of \$131,104. At June 30, 2016, the Village reported PERA General Fund Division deferred outflows of resources and deferred inflows of resources of \$77,119 and \$27,023, respectively, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	2,842
Change of assumption	-	7,809
Net difference between projected and actual earnings on pension plan investments	-	16,372
Village contributions subsequent to the measurement date	77,119	-
	<u>\$ 77,119</u>	<u>27,023</u>

\$77,119 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

2017	\$ (11,475)
2018	(11,475)
2019	(11,475)
2020	58,699
2021	<u>2,749</u>
	<u>\$ 27,023</u>

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 11 PERA PENSION PLAN (CONTINUED)**

PERA Municipal Police Division

For the PERA Municipal Police Division, at June 30, 2016, the Village reported a liability of \$230,220 for its proportionate share of the net pension liability. At June 30, 2015, the Village's proportion was 0.0556%, which increased from its proportion measured as of June 30, 2014 of 0.0512%.

For the year ended June 30, 2016, the Village recognized PERA Municipal Police Division pension expense of \$19,280. At June 30, 2016, the Village reported PERA Municipal Police Division deferred outflows of resources and deferred inflows of resources of \$19,280 and \$6,755, respectively, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	711
Change of assumption	-	1,952
Net difference between projected and actual earnings on pension plan investments	-	4,092
Village contributions subsequent to the measurement date	19,280	-
	<u>\$ 19,280</u>	<u>6,755</u>

\$19,280 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

2017	\$ (2,869)
2018	(2,869)
2019	(2,869)
2020	14,675
2021	<u>687</u>
	<u>\$ 6,755</u>

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 11 PERA PENSION PLAN (CONTINUED)**

*Actuarial assumptions* – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014, for each of the membership groups. Then each PERA Fund member group pension liability was rolled from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. There were not significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014, actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
– Investment rate of return	7.75% annual rate, net of investment expense
– Projected benefit payment	100 years
– Payroll growth	3.50% annual rate
– Projected salary increases	3.50% to 14.25% annual rate
– Included inflation at	3.00% annual rate
– Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projections to 2018 using Scale AA.
– Experience study dates	July 1, 2008 to June 30, 2013

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 11 PERA PENSION PLAN (CONTINUED)**

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real times of return for each major asset class are summarized in the following table:

All Funds – Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. Equity	21.1 %	5.00 %
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0 %	

*Discount Rate* – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On that basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 11 PERA PENSION PLAN (CONTINUED)**

*Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate* – The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Village's net pension liability in each PERA fund division that Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<u>PERA Municipal General Division</u>			
Village's proportionate share of the net pension liability	\$ 1,850,524	1,086,879	451,961

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<u>PERA Municipal Police Division</u>			
Village's proportionate share of the net pension liability	\$ 441,522	267,356	124,481

*Pension plan fiduciary net position* – Detailed information about the pension's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**NOTE 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.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 12 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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](http://www.nmrhca.state.nm.us).

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

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 12 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, 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, 2016, 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, 2016, 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.

Village's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$29,832, \$26,796, and \$26,152, respectively, which equal the required contributions for each year.



**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 13 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, 2016, 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.

**NOTE 14 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.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The parties agreed that the Village will pay for 17.41% of the existing debt on the Wastewater Treatment facility. The Village paid \$850,000 after signing the agreement and financed the remainder. The Village will make payments for 20 years starting January 10, 1998. The payment amount is \$3,083.34, or \$37,000 per year. In addition to the payments for the debt, the City and Village agreed to share the costs of the following components of operation and management of the Wastewater Treatment Plant:

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

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

The parties agree that beginning with Fiscal Year 1998/99, the Village 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 monthly sewage flow for the period of January 1, 1997, through December 31, 1997. This record flow data will be obtained from two calibrated meters. The first meter is located at the main sewer trunk line where the Village 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. The second meter is located at the Wastewater Plant. The calibration of the meter will be checked 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 percentage flow of sewage into the total amount of sewage treated by the Wastewater Treatment Plant Facility. The Village percentage will be applied towards the operation and maintenance costs for Fiscal Year 1998/99.

The parties agree that future calculations of the Village of Milan's percentage of responsibility will be the same as described above. As of the date of this audit, the Village has not received the required flow data necessary to recalculate the payments. It is not practicable to determine if the Village overpaid or underpaid in the years after June 30, 1999. It is necessary to have the flow data in order to determine the payment the Village is required to make.

**VILLAGE OF MILAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 15 SUBSEQUENT EVENTS**

The Village has evaluated subsequent events through December 10, 2016, the date the financial statements were available to be issued. Subsequent to June 30, 2016, the Village had no material subsequent events.

**NOTE 16 RESTATEMENT OF NET POSITION**

The CDBG and Co-Op Street Improvements funds were reported as nonmajor funds in the prior year, but have been reported as a major fund in the current year. Therefore, beginning fund balance for the nonmajor funds has been decreased by \$229,764, and major funds have increased by the same amount.

In addition, the net position of the Joint Utility proprietary fund has been restated by \$77,399. This is due to capital assets that should have been capitalized in the prior year and depreciated instead of being expensed.

**VILLAGE OF MILAN, NEW MEXICO**  
**NONMAJOR FUNDS**  
**June 30, 2016**

**SPECIAL REVENUE FUNDS**

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

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

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

*Lodger's Tax Reserve.* 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.* To account for funds used to maintain roads for which the Village is responsible. Funding is provided by the gas tax. Expenditures are restricted to the construction and maintenance of Village roads. Authority is NMSA 7-1-6.27.

*Recreation.* Accounts for the operations of the Village's recreational facilities and programs. Financing is provided by the State of New Mexico from a portion or 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.

**DEBT SERVICE FUNDS**

*Debt Service.* 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.

**VILLAGE OF MILAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2016**

	Special Revenue		
	Corrections	Fire Protection	Law Enforcement Protection
<b>ASSETS</b>			
Cash and cash equivalents	\$ 74,852	56,922	-
Cash and cash equivalents - restricted	-	5	-
Receivables:			
Taxes:			
Gasoline	-	-	-
Lodger's	-	-	-
Property	-	-	-
Grants	-	-	22,400
<b>Total assets</b>	<b>\$ 74,852</b>	<b>56,927</b>	<b>22,400</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 3,351	-	-
Accrued compensation and benefits	-	-	-
Due to other funds	-	989	-
<b>Total liabilities</b>	<b>3,351</b>	<b>989</b>	<b>-</b>
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue funds	71,501	55,938	22,400
Debt service funds	-	-	-
<b>Total fund balances</b>	<b>71,501</b>	<b>55,938</b>	<b>22,400</b>
<b>Total liabilities and fund balances</b>	<b>\$ 74,852</b>	<b>56,927</b>	<b>22,400</b>

**VILLAGE OF MILAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2016**

	Special Revenue		
	Lodger's Tax Reserve	Municipal Streets	Recreation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 21,734	27,958	22,531
Cash and cash equivalents - restricted	-	-	-
Receivables:			
Taxes:			
Gasoline	-	12,337	-
Lodger's	293	-	-
Property	-	-	-
Grants	-	-	-
<b>Total assets</b>	<b>\$ 22,027</b>	<b>40,295</b>	<b>22,531</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	6,096	-
Accrued compensation and benefits	-	3,849	-
Due to other funds	-	840	-
<b>Total liabilities</b>	<b>-</b>	<b>10,785</b>	<b>-</b>
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue funds	22,027	29,510	22,531
Debt service funds	-	-	-
<b>Total fund balances</b>	<b>22,027</b>	<b>29,510</b>	<b>22,531</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,027</b>	<b>40,295</b>	<b>22,531</b>

**VILLAGE OF MILAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2016**

	Debt Service	Total Nonmajor
<b>ASSETS</b>		
Cash and cash equivalents	\$ 20,710	224,707
Cash and cash equivalents - restricted	-	5
Receivables:		
Taxes:		
Gasoline	-	12,337
Lodger's	-	293
Property	149	149
Grants	-	22,400
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 20,859</b>	<b>259,891</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	9,447
Accrued compensation and benefits	-	3,849
Due to other funds	-	1,829
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>-</b>	<b>15,125</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>FUND BALANCES</b>		
Restricted for:		
Special revenue funds	-	223,907
Debt service funds	20,859	20,859
	<hr/>	<hr/>
<b>Total fund balances</b>	<b>20,859</b>	<b>244,766</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and fund balances</b>	<b>\$ 20,859</b>	<b>259,891</b>
	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF MILAN, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2016**

	Special Revenue		
	Corrections	Fire Protection	Law Enforcement Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, and fines	40,555	-	-
From non-federal sources:			
Grants	-	-	22,400
Intergovernmental	-	153,885	-
Interest	35	-	-
Other	-	3,600	-
<b>Total revenues</b>	<b>40,590</b>	<b>157,485</b>	<b>22,400</b>
Expenditures			
Current			
General government	-	-	-
Public safety	30,079	66,186	-
Highways and streets	-	-	-
Culture and recreation	-	-	-
Debt service - principal	-	33,093	-
Debt service - interest	-	1,820	-
Capital outlay	-	39,389	22,400
<b>Total expenditures</b>	<b>30,079</b>	<b>140,488</b>	<b>22,400</b>
(Deficiency) excess of revenues over expenditures before other financing sources	10,511	16,997	-
Net change in fund balances	10,511	16,997	-
Fund balance, beginning of year	60,990	38,941	22,400
<b>Fund balance, end of year</b>	<b>\$ 71,501</b>	<b>55,938</b>	<b>22,400</b>



**VILLAGE OF MILAN, NEW MEXICO**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - NONMAJOR FUNDS**  
**Year Ended June 30, 2016**

	Special Revenue		
	Lodger's Tax Reserve	Municipal Streets	Recreation
Revenues			
Taxes	\$ 2,942	177,845	-
Licenses, permits, fees, and fines	-	-	-
From non-federal sources:			
Grants	-	-	-
Intergovernmental	-	-	-
Interest	11	28	11
Other	-	-	-
<b>Total revenues</b>	<b>2,953</b>	<b>177,873</b>	<b>11</b>
Expenditures			
Current			
General government	4,764	-	-
Public safety	-	-	-
Highways and streets	-	237,930	-
Culture and recreation	-	-	361
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>4,764</b>	<b>237,930</b>	<b>361</b>
(Deficiency) excess of revenues over expenditures before other financing sources	(1,811)	(60,057)	(350)
Net change in fund balances	(1,811)	(60,057)	(350)
Fund balance, beginning of year	23,838	89,567	22,881
<b>Fund balance, end of year</b>	<b>\$ 22,027</b>	<b>29,510</b>	<b>22,531</b>

**VILLAGE OF MILAN, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2016**

	Debt Service	Total Non-major
Revenues		
Taxes	\$ 1,380	182,167
Licenses, permits, fees, and fines	-	40,555
From non-federal sources:		
Grants	-	22,400
Intergovernmental	-	153,885
Interest	12	97
Other	-	3,600
	<hr/>	<hr/>
<b>Total revenues</b>	1,392	402,704
	<hr/>	<hr/>
Expenditures		
Current		
General government	-	4,764
Public safety	-	96,265
Highways and streets	-	237,930
Culture and recreation	-	361
Debt service - principal	-	33,093
Debt service - interest	-	1,820
Capital outlay	-	61,789
	<hr/>	<hr/>
<b>Total expenditures</b>	-	436,022
	<hr/>	<hr/>
(Deficiency) excess of revenues over expenditures before other financing sources	1,392	(33,318)
	<hr/>	<hr/>
Net change in fund balances	1,392	(33,318)
	<hr/>	<hr/>
Fund balance, beginning of year	19,467	278,084
	<hr/>	<hr/>
<b>Fund balance, end of year</b>	\$ 20,859	244,766
	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CORRECTIONS**  
**Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees, and fines	\$ 51,050	51,050	40,555	(10,495)
Interest	100	100	35	(65)
	<hr/>			
<b>Total revenues</b>	51,150	51,150	40,590	(10,560)
	<hr/>			
Expenditures				
Public safety	29,210	29,210	27,349	1,861
	<hr/>			
Net change in fund balance	\$ 21,940	21,940	13,241	(8,699)
	<hr/>			
Budgetary expenditures			\$ 27,349	
Change in accounts payable			<u>2,730</u>	
GAAP expenditures			<u>\$ 30,079</u>	

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**FIRE PROTECTION**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Grants	\$ 155,704	156,304	153,885	(2,419)
Other	3,600	3,600	3,600	-
<b>Total revenues</b>	<b>159,304</b>	<b>159,904</b>	<b>157,485</b>	<b>(2,419)</b>
Expenditures				
Public safety	161,508	161,508	66,186	95,322
Debt service - principal	34,912	34,912	33,093	1,819
Debt service - interest	1,820	1,820	1,820	-
Capital outlay	-	-	39,389	(39,389)
<b>Total expenditures</b>	<b>198,240</b>	<b>198,240</b>	<b>140,488</b>	<b>57,752</b>
Net change in fund balance	(38,936)	(38,336)	16,997	55,333
Prior year cash appropriated	38,936	38,336		
	<u>\$ -</u>	<u>-</u>		

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**LAW ENFORCEMENT PROTECTION**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 22,400	22,400	22,400	-
Expenditures				
Capital outlay	22,400	22,400	22,400	-
Net change in fund balance	\$ -	-	-	-

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**LODGER'S TAX**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 3,500	3,500	2,926	(574)
Interest	20	20	11	(9)
<b>Total revenues</b>	<b>3,520</b>	<b>3,520</b>	<b>2,937</b>	<b>(583)</b>
Expenditures				
General government	5,000	5,000	4,764	236
Net change in fund balance	(1,480)	(1,480)	(1,827)	<u>(347)</u>
Prior year cash appropriated	1,480	1,480	1,827	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Budgetary revenues			\$ 2,937	
Change in taxes receivable			<u>16</u>	
GAAP revenues			<u>\$ 2,953</u>	

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**STREETS**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 178,000	178,000	182,779	4,779
Interest	50	50	28	(22)
<b>Total revenues</b>	<b>178,050</b>	<b>178,050</b>	<b>182,807</b>	<b>4,757</b>
Expenditures				
Highways and streets	244,563	246,063	226,374	19,689
Capital outlay	1,500	-	-	-
<b>Total expenditures</b>	<b>246,063</b>	<b>246,063</b>	<b>226,374</b>	<b>19,689</b>
Net change in fund balance	(68,013)	(68,013)	(43,567)	<u>24,446</u>
Prior year cash appropriated	68,013	68,013	43,567	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Budgetary revenues			\$ 182,807	
Change in taxes receivable			<u>(4,934)</u>	
GAAP revenues			<u>\$ 177,873</u>	
Budgetary expenditures			\$ 226,374	
Changes in accounts payable			9,742	
Changes in accrued compensation and benefits			<u>1,814</u>	
GAAP expenditures			<u>\$ 237,930</u>	

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**RECREATION**  
**Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 25	25	11	(14)
Expenditures				
Culture and recreation	400	400	361	39
Net change in fund balance	(375)	(375)	(350)	<u>25</u>
Prior year cash appropriated	375	375	350	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	



**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CDGB**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Grants	\$ 547,500	525,000	57,747	(467,253)
Expenditures				
Capital outlay	648,000	600,000	46,702	553,298
Excess of revenues over expenditures	(100,500)	(75,000)	11,045	86,045
Other financing sources				
Operating transfers in	50,000	50,000	-	(50,000)
Net change in fund balance	(50,500)	(25,000)	11,045	36,045
Prior year cash appropriated	50,500	25,000		
	\$ -	-		
Budgetary revenues			\$ 57,747	
Change in taxes receivable			442,253	
GAAP revenues			\$ 500,000	
Budgetary expenditures			\$ 46,702	
Changes in accounts payable			261,352	
GAAP expenditures			\$ 308,054	

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CO-OP STREET IMPROVEMENT**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 1,784,921	1,784,921	325,608	(1,459,313)
Interest	-	-	146	146
<b>Total revenues</b>	<b>1,784,921</b>	<b>1,784,921</b>	<b>325,754</b>	<b>(1,459,167)</b>
Expenditures				
Capital outlay	2,397,486	2,397,486	792,388	1,605,098
Excess of revenues over expenditures	(612,565)	(612,565)	(466,634)	145,931
Other financing sources				
Operating transfers in	550,000	550,000	510,000	(40,000)
Net change in fund balance	(62,565)	(62,565)	43,366	105,931
Prior year cash appropriated	62,565	62,565		
	<u>\$ -</u>	<u>-</u>		

**VILLAGE OF MILAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**JOINT UTILITY**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 1,716,000	1,716,000	1,542,880	(173,120)
Gross receipts tax	29,164	29,164	23,584	(5,580)
Late charges	12,000	12,000	10,976	(1,024)
Interest	100	100	49	(51)
Other	34,039	34,039	-	(34,039)
<b>Total revenues</b>	<b>1,791,303</b>	<b>1,791,303</b>	<b>1,577,489</b>	<b>(213,814)</b>
<b>Expenses</b>				
Operating	1,789,468	1,789,468	1,575,720	213,748
Interest	52,600	52,600	51,315	1,285
Other	-	-	2,545	(2,545)
<b>Total expenditures</b>	<b>1,842,068</b>	<b>1,842,068</b>	<b>1,629,580</b>	<b>212,488</b>
Excess of expenses over revenues	(50,765)	(50,765)	(52,091)	(1,326)
<b>Other financing sources (uses)</b>				
Operating transfers out	(750,000)	(750,000)	(510,000)	240,000
Change in net position	(800,765)	(800,765)	(562,091)	238,674
Prior year cash appropriated	800,765	800,765		
	<u>\$ -</u>	<u>-</u>		
<b>Budgetary revenues</b>			\$ 1,577,489	
Change in taxes receivable			<u>12,285</u>	
<b>GAAP revenues</b>			<u>\$ 1,589,774</u>	
<b>Budgetary expenses</b>			\$ 1,629,580	
Change in deferred outflows of resources related to pensions			1,282	
Change in accounts payable			96,109	
Change in accrued compensation and benefits			2,448	
Change in interest payable			11,443	
Non-budgeted item - depreciation			<u>(243,953)</u>	
<b>GAAP expenses</b>			<u>\$ 1,494,345</u>	

**VILLAGE OF MILAN, NEW MEXICO**

**Schedule of the Village's Proportionate Share of the Net Pension Liability of  
the Net Pension Liability of the Public Employees Retirement Association Plan's  
Municipal General Division and Municipal Police Division - Last 10 Fiscal Years\*  
June 30, 2016**

**Municipal General Division**

	2016	2015
Village's proportion of the net pension liability (asset)	0.1066%	0.1015%
Village's proportionate share of the net pension liability (asset)	\$ 1,086,879	791,809
Village's covered-employee payroll	\$ 1,033,613	1,144,280
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	105%	69%
Plan fiduciary net position as a percentage of the total plan liability	76.99%	81.29%

**Municipal Police Division**

	2016	2015
Village's proportion of the net pension liability (asset)	0.0556%	0.0512%
Village's proportionate share of the net pension liability (asset)	\$ 267,356	166,906
Village's covered-employee payroll	\$ 238,190	198,431
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112%	84%
Plan fiduciary net position as a percentage of the total plan liability	76.99%	81.29%

\* The amounts presented were determined as of June 30, 2016. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is completed, the Village will present information for those years for which information is available.

**VILLAGE OF MILAN, NEW MEXICO**

**Schedule of the Village's Contributions to the Public Employees Retirement Association  
Plan's Municipal General Division and Municipal Police Division - Last 10 Fiscal Years\*  
June 30, 2016**

**Municipal General Division**

	2016	2015
Contractually required contributions	\$ 60,671	84,369
Contributions in relation to the contractually required contribution	60,671	84,369
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
Village's covered-employee payroll	\$ 1,033,613	1,144,280
Contributions as a percentage of covered-employee payroll	5.9%	7.4%

**Municipal Police Division**

	2016	2015
Contractually required contributions	\$ 36,554	20,499
Contributions in relation to the contractually required contribution	36,554	20,499
Contribution deficiently (excess)	<u>\$ -</u>	<u>-</u>
Village's covered-employee payroll	\$ 238,190	\$ 198,431
Contributions as a percentage of covered-employee payroll	15.3%	10.3%

\* The amounts presented were determined as of June 30, 2016. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is completed, the Village will present information for those years for which information is available.

**VILLAGE OF MILAN, NEW MEXICO  
NOTES TO SCHEDULES OF THE PUBLIC EMPLOYEE  
RETIREMENT ASSOCIATION'S PLAN INFORMATION  
June 30, 2016**

*Changes in Benefit Terms* – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at:

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>

*Changes of Assumptions* – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>

**VILLAGE OF MILAN, NEW MEXICO**  
**AGENCY FUNDS**  
**June 30, 2016**

*Police Bonds.* To account for the receipt and disbursement of money collected by the Village in a custodial capacity.

**VILLAGE OF MILAN, NEW MEXICO**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -**  
**AGENCY FUNDS**  
**Year Ended June 30, 2016**

	Balance			Balance
	June 30, 2015	Additions	Deductions	June 30, 2016
Police bonds	\$ 6,280	228	140	6,368



**VILLAGE OF MILAN, NEW MEXICO**  
**SCHEDULE OF DEPOSIT ACCOUNTS**  
**June 30, 2016**

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Int bearing checking	Bank of New Mexico	General	\$ 398,180	330,628
Money market	US Bank	General	939,073	939,073
Int bearing checking	Bank of New Mexico	General	343,484	343,484
Non-Int bearing checking	US Bank	General Payroll	69,940	28,284
Int bearing checking	Bank of New Mexico	Corrections	74,852	74,852
Non-Int bearing checking	Bank of New Mexico	Fire Protection	57,747	56,921
Int bearing checking	Bank of New Mexico	Lodger's Tax	21,734	21,734
Int bearing checking	Bank of New Mexico	Street	30,406	27,958
Int bearing checking	Bank of New Mexico	Recreation	22,531	22,531
Non-Int bearing checking	Bank of New Mexico	CDBG	68,386	68,386
Int bearing checking	Bank of New Mexico	Co-Op Street	50,174	46,686
Int bearing checking	Bank of New Mexico	Debt Service	20,710	20,710
Non-Int bearing checking	US Bank	Joint Utility	1,217,548	1,184,228
Int bearing checking	Bank of New Mexico	Joint Utility	1,585	1,585
Int bearing checking	Bank of New Mexico	Water Deposit	98,591	98,591
CD	US Bank	Joint Utility	60,633	60,995
Int bearing checking	US Bank	Joint Utility	6,978	6,978
Int bearing savings	US Bank	Joint Utility	6,968	6,968
<b>Cash and cash equivalents - non-agency funds</b>			<b>3,489,520</b>	<b>3,340,592</b>
	Petty cash	Operating	-	100
	Petty cash	Joint Utility	-	150
<b>Total cash and cash equivalents - non-agency funds</b>			<b>\$ 3,489,520</b>	<b>3,340,842</b>
Agency funds cash accounts:				
Non-Int bearing checking	US Bank	Municipal Court Pooled Cash	\$ 6,368	6,368
New Mexico Finance Authority				
Int bearing checking	NM Finance Authority	Trust	96,249	94,768
Int bearing checking	NM Finance Authority	Trust	185,627	185,347
Int bearing checking	NM Finance Authority	Trust	5	5
<b>Total funds with the New Mexico Finance Authority</b>			<b>\$ 281,881</b>	<b>280,120</b>

**VILLAGE OF MILAN, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2016**

	US Bank	Bank of New Mexico	Total
Deposits at June 30, 2016	\$ 2,301,139	1,194,749	3,495,888
Less: FDIC coverage	250,000	250,000	500,000
Uninsured public funds	2,051,139	944,749	2,995,888
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	2,500,000	765,520	3,265,520
Uninsured and uncollateralized	\$ -	-	-
50% pledged collateral requirement per statute	\$ 1,025,570	472,375	1,497,944
Total pledged collateral	2,500,000	765,520	3,265,520
Pledged collateral over the requirement	\$ (1,474,431)	(293,146)	(1,767,576)

Pledged collateral at June 30, 2016 consists of the following:

Security	CUSIP	Maturity	Fair Market Value	Fair Market Value	Total
Bernalillo NM MSD	085279NY9	8/1/2020	\$ -	155,228	155,228
Bloomfield NM Mun Sch Dist BQ	094077KN3	9/1/2019	-	108,647	108,647
Gassden NM ISD BQ Call	362550KR5	8/15/2018	-	501,645	501,645
Federal Home Loan Bank of Cincinnati	519637	10/3/2016	2,500,000	-	2,500,000
			\$ 2,500,000	765,520	3,265,520

The custodian of the pledged securities for US Bank is the Federal Home Loan Bank in Cincinnati, Ohio.

The custodian of the pledged securities for Bank of New Mexico is the Independent Bankers Bank in Farmers Branch, Texas.

VILLAGE OF MILAN, NEW MEXICO  
SCHEDULE OF JOINT POWERS AGREEMENTS  
June 30, 2016

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Village	Amount contributed by Village during fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
Grants Airport	Village of Milan City of Grants	City of Grants	To provide for the management, operation, maintenance, improvement and financing of the Grants-Milan municipal airport	08/96 to indefinite	None	\$ -	City of Grants	City of Grants
Animal Control	Village of Milan City of Grants	City of Grants	Collect and keep custody of animals	09/76 to indefinite	The Village will reimburse the City of Grants for 35% of net operating and maintenance costs	\$ -	City of Grants	City of Grants
Rio San Jose Flood Control	Village of Milan Rio San Jose Flood Control Authority	Rio San Jose Flood Control Authority	To provide for administrative space, personnel, furniture, equipment and utilities for the operation of the District.	01/86 to indefinite	The Village provides 160 square feet of office space including utilities; the Village employs one person who is directed by the District. The District reimburses the Village for the salary and payroll costs.	\$ - The District reimbursed the Village \$13,834	Rio San Jose Flood Control Authority	Rio San Jose Flood Control Authority
Wildlife Protection Activities	State of New Mexico Energy, Minerals and Natural Resources Department Village of Milan	State of New Mexico Energy, Minerals and Natural Resources Department	To provide a cooperative fire protection system covering any or all private, County, non-municipal, and State lands within or adjacent to the Village.	Indefinite	Payments are on a reimbursement basis.	\$ -	State of New Mexico Energy, Minerals and Natural Resources Department	State of New Mexico Energy, Minerals and Natural Resources Department
Northwest New Mexico Regional Solid Waste Authority	Village of Milan City of Grants City of Gallup County of McKinley Cibola County	Northwest New Mexico Regional Solid Waste Authority	To provide for the disposition of solid waste by establishing a modern solid waste disposal facilities.	05/06 to indefinite	The Village is required to contribute 50% of its Environmental Gross Receipts Tax.	\$ 23,740	Northwest New Mexico Regional Solid Waste Authority	Northwest New Mexico Regional Solid Waste Authority
Library	Village of Milan City of Grants Cibola County	City of Grants	Establishment of a library program	07/81 to indefinite	Contribute 20% of the yearly operating costs the yearly operating costs	\$ 4,000	City of Grants	City of Grants
Prisoner Housing	Cibola County Village of Milan	Cibola County	To provide housing of municipal prisoners arrested by the Village and confined in the Cibola County Detention Center.	7/08 to 7/10	\$54 per day per inmate	\$ -	Cibola County	Cibola County
Transit	Village of Milan City of Grants Cibola County	Cibola County	To jointly create and operate a municipal transit authority providing transportation between various points within the City, the Village, the County and surrounding areas.	9/06 to indefinite	The Village is required to contribute 15% of the yearly operating costs	\$ 5,659	Village of Milan	Village of Milan
Senior Citizens Center	Village of Milan City of Grants	City of Grants	Establishment of a senior citizens center.	Indefinite	Cost sharing	\$ -	City of Grants	City of Grants
Mosquito Control	Village of Milan Cibola County Vector	Cibola County Vector	Provides mosquito control in and around the Village.	05/83 to Indefinite	The Village will pay the County \$350 per year	\$ 350	Cibola County Vector	Cibola County Vector

VILLAGE OF MILAN, NEW MEXICO  
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000  
 June 30, 2016

RFB#/RFP# State-Wide Price Agreement#	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of <u>ALL</u> Vendor(s) that responded	In- State/Out- of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in- state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
NA	RFP/Bid	Star Paving	\$ 1,227,714	NA	Star Paving, 3109 Love Rd. SW, Albuquerque	Y	N	Village wide street improvements
					TLC Plumbing & Utility, 5000 Edith Blvd NE	Y	N	
NA	RFP/Bid	Star Paving	\$ 1,112,582	NA	Star Paving, 3109 Love Rd. SW, Albuquerque	Y	N	Uranium and Sand Street improvements
					Century Club Const., 8201 Golf Course Rd. NW	Y	N	
					AUI Inc., 6501 Americas Pky NE, Suite 650, Alb.	Y	N	

# PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS  
10612 ROYAL BIRKDALE NE  
ALBUQUERQUE, NM 87111

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Mr. Timothy Keller, New Mexico State Auditor and  
Mr. George W. Knotts, Mayor and  
The Village Board of Trustees  
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, financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund of the Village of Milan (Village) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated December 10, 2016.

### **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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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. 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.

Mr. Timothy Keller, New Mexico State Auditor and  
Mr. George W. Knotts, Mayor and  
The Village Board of Trustees  
Village of Milan, New Mexico

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of other findings as required by the New Mexico state statute, section 12-6-5, NMSA 1978 as item 2013-010.

### **The Village's Response to the Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village'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.

*Porch & Associates, LLC*

Albuquerque, New Mexico  
December 10, 2016

**VILLAGE OF MILAN, NEW MEXICO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2016**

**Findings from Year Ended June 30, 2015:**

**Current Status:**

2013-010 Deficiencies in Internal Control Structure Design

Repeated and updated

**VILLAGE OF MILAN, NEW MEXICO  
SCHEDULE OF OTHER FINDINGS AS REQUIRED BY NEW MEXICO  
STATE STATUTE, SECTION 12-6-5, NMSA 1978  
Year Ended June 30, 2016**

**2013-010 Deficiencies in Internal Control Structure Design – Other Matters –  
Repeated and Revised**

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

*Progress Towards Implementing the Prior Year Corrective Action Plan:* The Village has made progress towards implementing the prior year corrective action plan and has drafted policies which they intend to finalized by March 2017.

*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 transaction 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 practice and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting application including computer systems) that are in accordance with GAAP.

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

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

*Auditor's Recommendations:* The Village should document the comprehensive internal control structure and ensure that it is followed.

*Management's Response:* The Village will update the written internal control policies and procedures to address the changes related to the accounting system conversion and to ensure the policies and procedures include administrative controls in accordance with GAAP. The Village Manager had developed a committee to include the Manager, the IT Director, the Finance/Human Resources Clerk and the Police Chief. We anticipate having final written policies by March 2017.



**VILLAGE OF MILAN, NEW MEXICO  
EXIT CONFERENCE  
Year Ended June 30, 2016**

An exit conference was held on December 14, 2016, and attended by the following:

Village of Milan, New Mexico

Vivian Brumbelow, Trustee  
O. Robert Gallegos, Mayor Pro-tem  
Marcella Sandoval, Village Manager  
Esther Barnes, Payroll Clerk

Porch & Associates LLC

Thad Porch, Managing Principal

\* \* \* \* \*

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