

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
JUNE 30, 2008**

Dan Austin CPA, PC
Certified Public Accountant

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
OFFICIAL ROSTER
June 30, 2008**

COUNCIL:

TOM E. ARMSTRONG.....	Mayor
TOMMY HOOD	Councilor
GARY L. WILLIAMS	Councilor
DEAN HOLMAN	Councilor
RENE L. OLIVO.....	Councilor

ADMINISTRATION

CAROL VIRDEN	City Clerk/Treasurer
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 CITY OF RUIDOSO DOWNS
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INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor, and
The Honorable Mayor and City Council
City of Ruidoso Downs
Ruidoso Downs, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ruidoso Downs, New Mexico, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City of Ruidoso Downs' management. Our responsibility is to express opinions on these financial statements based on our audit.

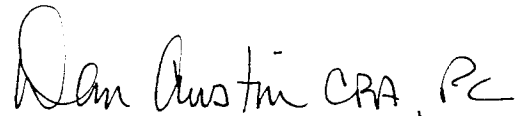
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 City of Ruidoso Downs, New Mexico, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General Fund and the Museum Special Revenue Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City of Ruidoso Downs, New Mexico, as of June 30, 2008, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the nonmajor governmental and enterprise funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of the City of Ruidoso Downs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 8 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of security requirements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of security requirements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dan Austin CPA, PC". The signature is written in a cursive, flowing style.

November 26, 2008

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

As management of the City of Ruidoso Downs, we offer readers of the City of Ruidoso Downs' financial statements this narrative overview and analysis of the financial activities of the City of Ruidoso Downs for the fiscal year ended June 30, 2008. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

The City's total net assets increased by \$1,464,032 compared to the prior year. The significant reasons for this increase were increased gross receipts tax over the prior year (approximately \$415,000), a \$500,000 grant received but not yet expended in the business type activities, while expenditures increased by \$139,000 totaling \$5,140,000.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,281,396, an increase of \$536,612 in comparison with the prior year.

USING THIS ANNUAL REPORT

The financial report includes the sections described below.

Management's Discussion and Analysis

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the City.

Government-Wide Financial Statements

The Government-Wide Financial Statements report information about the City using accounting methods similar to those used by private sector businesses. The statement of net assets and the statement of activities display information about the Village, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal activities are eliminated to avoid "doubling up" revenues and expenses. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the City's net assets and how they have changed.

Fund Financial Statements

The Fund Financial Statements provide a more detailed look at the City's significant funds. The funds present sources and uses of liquid resources. This is the manner in which the financial plan (the budget) is typically developed. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

Budgetary Comparisons

GASB 34 requires budgetary comparison schedules for the general fund and for each other major fund that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis. As required by the Office of the State Auditor under 2NMAC2.2, the budgetary comparison statement is presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets: Below is a summary of the City's net assets for the fiscal years ending June 30, 2008 and 2006. The most significant change to assets, liabilities and net assets as compared to the prior year was the funds provided by the state for capital outlay projects. See page 12 for a more detailed look at the Statement of Net Assets.

	City of Ruidoso Downs Net Assets					
	Government Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 4,424,785	\$ 4,046,255	\$ 2,058,280	\$ 515,291	\$ 6,483,065	\$ 4,561,556
Capital assets	9,903,207	9,849,271	5,593,520	4,897,904	15,496,727	14,747,175
Other noncurrent assets	-	-	52,773	49,753	52,773	49,753
Total assets	<u>\$ 14,327,992</u>	<u>\$ 13,895,536</u>	<u>\$ 7,704,573</u>	<u>\$ 5,462,948</u>	<u>\$ 22,032,565</u>	<u>\$ 19,358,484</u>
Liabilities						
Current liabilities	\$ 1,263,409	\$ 1,449,724	\$ 82,235	\$ 79,283	\$ 1,345,644	\$ 1,529,007
Noncurrent liabilities	1,399,023	81,739	370,000	379,000	1,769,023	460,739
Total liabilities	<u>2,662,432</u>	<u>1,531,463</u>	<u>452,235</u>	<u>458,283</u>	<u>3,114,667</u>	<u>1,989,746</u>
Net Assets						
Invested in capital assets, net of related debt	9,821,198	9,755,997	5,593,520	4,897,904	15,414,718	14,654,901
Restricted	50,002	50,002	1,475,152	257,300	1,525,154	307,302
Unrestricted	1,794,360	2,557,524	183,666	(150,539)	1,978,026	2,406,985
Total net assets	<u>11,665,560</u>	<u>12,364,523</u>	<u>7,252,338</u>	<u>5,004,665</u>	<u>18,917,898</u>	<u>17,369,188</u>
Total Liabilities and net assets	<u>\$ 14,327,992</u>	<u>\$ 13,895,986</u>	<u>\$ 7,704,573</u>	<u>\$ 5,462,948</u>	<u>\$ 22,032,565</u>	<u>\$ 19,358,934</u>

Statement of Activities: The following represents the revenues and expenses for fiscal years June 30, 2008 and 2006. See pages 13 and 14 for a more detailed look at the Statement of Activities. As stated earlier, Gross Receipts Taxes increased over the prior year by \$253,000 and expenses were less than the prior year in the amount of \$328,782. The most significant difference from 2006 to 2008 was the donation received of the Hubbard Museum during 2006. The donation is reflected below in the 2006 contributions received line in the amount of \$7,593,224.

**City of Ruidoso Downs
Charges for Net Assets**

	Government Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 737,617	\$ 478,449	\$ 999,222	\$ 856,338	\$ 1,736,839	\$ 1,334,787
Operating grants	1,605,326	1,436,949	-	-	1,605,326	1,436,949
Capital grants	152,276	260,308	582,773	200,000	735,049	460,308
General revenues:						
Taxes	2,123,700	1,707,565	-	-	2,123,700	1,707,565
Contributions received	150,000	272,184	-	-	150,000	272,184
Other	244,873	497,296	8,848	31,381	253,721	528,677
Total revenues	5,013,792	4,652,751	1,590,843	1,087,719	6,604,635	5,740,470
Expenses:						
General Government	\$ 1,172,595	\$ 1,218,208	\$ -	\$ -	\$ 1,172,595	\$ 1,218,208
Public safety	1,124,540	1,073,458	-	-	1,124,540	1,073,458
Public works	515,455	405,531	-	-	515,455	405,531
Culture and recreation	1,309,150	1,345,978	-	-	1,309,150	1,345,978
Other	88,051	31,779	-	-	88,051	31,779
Interest on Long-term debt	38,949	6,916	-	-	38,949	6,916
Joint water and sewer	-	-	665,618	697,188	665,618	697,188
Sanitation	-	-	226,235	167,878	226,235	167,878
Total liabilities	4,248,750	4,081,870	891,853	865,066	5,140,603	4,946,936
Net Assets						
Increase in net assets before transfers	765,042	570,881	698,990	222,653	1,464,032	793,534
Transfers	(1,548,683)	(189,117)	1,548,683	189,117	-	-
Restatements	84,678	(5,914)	-	-	84,678	(5,914)
Net assets-beginning	12,364,523	11,988,673	5,004,665	4,592,895	17,369,188	16,581,568
Net assets-ending	\$ 11,565,560	\$ 12,364,523	\$ 7,252,338	\$ 5,004,665	\$ 18,917,898	\$ 17,369,188

FUND FINANCIAL ANALYSIS

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. As of year-end, the governmental funds reported a fund balance of \$2,281,396, reflecting an increase in fund balance of \$536,612. Of this amount, \$50,002 is reserved for certain expenditures, see the balance sheet on page 14 for further detail. The most significant changes for the City's governmental funds was the increase in fund balance of the General Fund of \$180,149 and a result of an increase in taxes and the resulting smaller increase in expenditures. See page 16 for further detail.

Business-Type Activities: The business-type activities of the City include the Joint Water and Sewer and the Sanitation utility operations. These activities realized an increase in net assets of \$698,990 for the year. The primary reason for the increase was due to the receipt of grants for capital improvement projects in the amount of \$582,773.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, General Fund expenditures were less than budgetary estimates in the amount of \$169,000. The City's General Fund expenditures amounted to \$2,904,929 for the year ended June 30, 2008 was 14% percent increase from the previous years' budget due mostly to planned increases in general fund operating expenditures. The current final budget revenues decreased over the original budget due largely to Gross Receipts Tax and other grants being less than original estimates.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$9,903,207 (net of accumulated depreciation). This investment in capital assets consists of land, buildings, equipment and infrastructure.

Additional information on the City's capital assets can be found in Note 16 on page 33 of this report.

Long-Term Debt: At the end of the current fiscal year, the City had total long-term debt outstanding of \$1,828,483 including current portion. This increase from the prior year was the result of the issuance of \$1,400,000 in long-term bonds with the resulting cash being transfer to the joint water/sewer utility fund in anticipation of funding capital expenditures at the waste water treatment plant jointly operated by the City and the Village of Ruidoso.

Additional information on the City's long-term debt can be found in Notes 5 and 6, beginning on page 29 of this report.

ECONOMIC FACTORS

The General Fund budget for the year ended June 30, 2009 is expected to remain stable despite current economic uncertainty. Revenue sources for 2009 within the City are expected to be near 2008 levels, while budgeted expenditures are near 2008 levels with the exception of the utility funds were increased capital expenditures at the waste treatment plant will have significant increases which have been funded with bond indebtedness.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Ruidoso Downs' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Ruidoso Downs, PO Box 348, Ruidoso Downs, NM 88346.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 3,707,394	\$ 1,902,091	\$ 5,509,485
Receivables	529,626	116,231	745,857
Inventory	67,765	35,308	124,073
Other	-	3,650	3,650
Total Current Assets	<u>4,424,785</u>	<u>2,058,280</u>	<u>6,483,065</u>
Noncurrent Assets			
Restricted Assets (Cash)	-	52,773	52,773
Net Capital Assets	9,903,207	5,593,520	15,496,727
Total Noncurrent Assets	<u>9,903,207</u>	<u>5,645,293</u>	<u>15,549,500</u>
Total Assets	<u>\$ 14,327,992</u>	<u>\$ 7,704,573</u>	<u>\$ 22,032,565</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 18,242	\$ 5,998	\$ 24,240
Accrued Payroll And Benefits	58,168	5,631	63,799
Accrued Compensated Absences	68,046	8,241	76,287
Interest Payable	18,493	592	19,085
Deferred Revenue	1,050,000	-	1,050,000
Current Portion Of Long Term Debt	50,460	9,000	59,460
Customer Deposits	-	52,773	52,773
Total Current Liabilities	<u>1,263,409</u>	<u>82,235</u>	<u>1,345,644</u>
Noncurrent Liabilities			
Leases Payable	70,549	-	70,549
Bonds Payable	1,328,474	349,000	1,677,474
Notes Payable	-	21,000	21,000
Total Noncurrent Liabilities	<u>1,399,023</u>	<u>370,000</u>	<u>1,769,023</u>
Total Liabilities	<u>2,662,432</u>	<u>452,235</u>	<u>3,114,667</u>
Net Assets			
Invested In Capital Assets, Net of Related Debt	9,821,198	5,593,520	15,414,718
Restricted For:			
Capital Projects	50,002	1,475,152	1,525,154
Unrestricted	1,794,350	183,665	1,978,026
Total Net Assets	<u>11,665,560</u>	<u>7,252,333</u>	<u>18,917,898</u>
Total Liabilities And Net Assets	<u>\$ 14,327,992</u>	<u>\$ 7,704,573</u>	<u>\$ 22,032,565</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue And Changes In Net Assets			
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Functions/Programs							
Primary Government:							
Governmental Activities:							
General Government	\$ 1,172,595	\$ 737,617	\$ 1,605,326	\$ -	\$ 1,170,348	\$ -	\$ 1,170,348
Public Safety	1,124,540	-	-	-	(1,124,540)	-	(1,124,540)
Public Works	515,455	-	-	152,276	(363,179)	-	(363,179)
Culture And Recreation	1,309,150	-	-	-	(1,309,150)	-	(1,309,150)
Other	88,061	-	-	-	(88,061)	-	(88,061)
Interest On Long-Term Debt	38,949	-	-	-	(38,949)	-	(38,949)
Total Governmental Activities	4,248,750	737,617	1,605,326	152,276	(1,753,531)	-	(1,753,531)
Business-Type Activities:							
Joint Water And Sewer Sanitation	665,618	782,509	-	582,773	-	699,664	699,664
Total Business-Type Activities	226,235	216,713	-	582,773	-	(9,522)	(9,522)
	891,853	999,222	-	582,773	-	690,142	690,142
Total Primary Government	\$ 5,140,603	\$ 1,736,839	\$ 1,605,326	\$ 735,049	(1,753,531)	690,142	(1,063,389)
General Revenues:							
Taxes					2,123,700	-	2,123,700
Licenses And Permits					37,355	-	37,355
Fines And Forfeitures					61,366	-	61,366
Interest					106,268	-	106,268
Miscellaneous					39,884	8,848	48,732
Contributions					150,000	-	150,000
Interfund Transfers					(1,548,683)	1,548,683	-
Total General Revenues					969,890	1,557,531	2,527,421
Change In Net Assets					(783,641)	2,247,673	1,464,032
Restatements					84,678	-	84,678
Net Assets - Beginning					12,364,523	5,004,665	17,369,188
Net Assets - Ending					\$ 11,665,560	\$ 7,252,338	\$ 18,917,898

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Special Revenue Museum Fund	Debt Funds	Other Governmental Funds	Totals Governmental Funds
Assets					
Cash	\$ 1,647,212	\$ 1,428,597	\$ 2,948	\$ 628,637	\$ 3,707,394
Receivables	551,062	-	250	78,314	629,626
Other	-	-	-	-	-
Inventory	-	87,765	-	-	87,765
Total Assets	\$ 2,198,274	\$ 1,516,362	\$ 3,198	\$ 706,951	\$ 4,424,785
Liabilities					
Accounts Payable	\$ 18,242	\$ -	\$ -	\$ -	\$ 18,242
Accrued Payroll And Benefits	43,733	14,435	-	-	58,168
Deferred Revenue	16,729	1,050,000	250	-	1,066,979
Total Liabilities	78,704	1,064,435	250	-	1,143,389
Fund Balances					
Reserved For Capital Improvements	-	-	-	50,002	50,002
Reserved For Debt Service	-	-	2,948	-	2,948
Unreserved	2,119,570	451,927	-	656,949	3,228,446
Total Fund Balances	2,119,570	451,927	2,948	706,951	3,281,396
Total Liabilities And Fund Balances	\$ 2,198,274	\$ 1,516,362	\$ 3,198	\$ 706,951	\$ 4,424,785

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND
 BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
 June 30, 2008

Total Governmental Fund Balance	\$ 3,281,396
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,903,207
Deferred property tax revenue on governmental funds is recognized as current income on government wide statements	16,979
Compensated absences payable not reported as liabilities on the governmental fund statements	(58,045)
Interest payable not reported as a liability on the governmental fund statements	(18,493)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,449,483)</u>
Net Assets of Governmental Activities	<u>\$ 11,655,560</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2008

	General Fund	Special Revenue Museum Fund	Debt Service Fund	Other Governmental Funds	Totals Governmental Funds
Revenues					
Taxes	\$ 1,611,147	\$ -	\$ 45,092	\$ 467,747	\$ 2,123,986
Licenses And Permits	37,355	-	-	-	37,355
Intergovernmental	1,337,015	-	-	268,311	1,605,326
Charges For Services	4,542	733,075	-	-	737,617
Fines And Forfeitures	56,254	-	-	5,132	61,386
Interest	64,566	35,168	6,534	-	106,268
Bond Proceeds	-	-	1,400,000	-	1,400,000
Miscellaneous	80,880	261,185	-	76	342,141
Total Revenues	<u>3,191,759</u>	<u>1,029,428</u>	<u>1,451,626</u>	<u>741,266</u>	<u>6,414,079</u>
Expenditures					
Current:					
General Government	1,120,147	-	-	18,092	1,138,239
Public Safety	997,700	-	-	82,781	1,080,481
Highway And Streets	328,217	-	-	366,051	694,268
Culture And Recreation	179,248	1,083,880	-	-	1,263,128
Other	87,609	-	452	-	88,061
Capitalized Leases	-	-	-	16,381	16,381
Debt Service-Principal	-	-	-	-	-
-interest	-	-	13,973	-	13,973
-Debt Origination	-	-	34,253	-	34,253
Total Expenditures	<u>2,712,921</u>	<u>1,083,880</u>	<u>48,678</u>	<u>483,305</u>	<u>4,328,784</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>478,838</u>	<u>(54,452)</u>	<u>1,402,948</u>	<u>257,961</u>	<u>2,085,295</u>
Other Financing Sources (Uses):					
Contributions	-	-	-	-	-
Operating Transfers, Net	(298,689)	189,424	(1,400,000)	(39,418)	(1,548,683)
Total Other Financing Sources (Uses)	<u>(298,689)</u>	<u>189,424</u>	<u>(1,400,000)</u>	<u>(39,418)</u>	<u>(1,548,683)</u>
Net Change in Fund Balances	180,149	134,972	2,948	218,543	536,612
Restatements	84,678	-	-	-	84,678
Fund Balance (Deficit) At Beginning Of Year	<u>1,854,743</u>	<u>316,955</u>	<u>-</u>	<u>488,408</u>	<u>2,660,106</u>
Fund Balance (Deficit) At End Of Year	<u>\$ 2,119,570</u>	<u>\$ 451,927</u>	<u>\$ 2,948</u>	<u>\$ 706,951</u>	<u>\$ 3,281,396</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 536,612

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense was more than capital outlays in the current period.

Capital Outlays	\$ 316,861	
Depreciation Expense	<u>(263,375)</u>	53,486

Property taxes recorded as deferred revenue on the governmental funds are recognized as current revenue on the government wide statements

Current year accrual	16,979	
Prior year accrual	<u>17,265</u>	(286)

Net change in compensated absences payable for governmental funds

Current year balance	(68,046)	
Prior year balance	<u>68,935</u>	889

interest payable (17,583)

Repayment of bond and other debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The governmental funds reflect capital lease payments of \$16,381, of which the principal portion was

10,715

Bond issue costs are amortized in the Statement of Activities but are netted netted with bond issues in the year of issue on the statement of revenues, and changes in in fund balances. The current activity is as follows:

Bond proceeds	(1,400,000)	
Bond issue costs	34,253	
Origination amortization	<u>(1,727)</u>	<u>(1,367,474)</u>

Change in Net Assets of Governmental Activities \$ (783,641)

The accompanying notes to the basic financial statements are an intregal part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) -- GENERAL FUND
For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Taxes	\$ 1,655,187	\$ 1,585,621	\$ 1,585,621	\$ -
Licenses And Permits	28,000	37,356	37,355	(1)
Intergovernmental	1,420,293	1,312,024	1,312,025	1
Charges For Services	2,850	4,542	4,542	-
Fines	63,000	56,254	56,254	-
Other	183,670	145,446	145,446	-
 Total Revenue	 3,354,000	 3,141,243	 <u>3,141,243</u>	 <u>\$ -</u>
 Budgeted Cash Balance	 <u>1,522,555</u>	 <u>1,522,555</u>		
 Total Revenue And Cash	 <u>\$ 4,876,555</u>	 <u>\$ 4,663,798</u>		
EXPENDITURES				
Current				
General Government	1,247,456	1,152,308	1,140,730	11,578
Public Safety	1,281,094	1,150,785	999,520	151,265
Highways And Streets	401,669	330,944	328,671	2,273
Culture And Recreation	214,631	179,399	179,399	-
Other	190,500	91,493	87,609	3,884
 Total Expenditures	 3,335,350	 2,904,929	 2,735,929	 169,000
OTHER FINANCING SOURCES (USES)				
Operating Transfers (Net)	(302,850)	(298,689)	(298,689)	-
 Total Expenditures And Other Financing Sources	 <u>\$ 3,638,200</u>	 <u>\$ 3,203,618</u>	 <u>3,034,618</u>	 <u>\$ 169,000</u>
 Reconciliation to GAAP Basis				
Changes in Inventory			49,981	
Changes in Accounts Payable			20,039	
Changes in Deferred Income			536	
Changes in Accrued Payroll			2,968	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 180,149</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) -- MUSEUM FUND
For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Charges For Services	\$ 713,000	\$ 733,438	\$ 733,075	\$ (363)
Miscellaneous	154,000	239,192	239,192	-
Other	105,458	21,993	21,993	-
Investment Income	<u>47,250</u>	<u>35,168</u>	<u>35,168</u>	<u>-</u>
 Total Revenue	 1,019,708	 1,029,791	 <u>1,029,428</u>	 <u>\$ (363)</u>
 Budgeted Cash Balance	 <u>1,447,763</u>	 <u>1,447,763</u>		
 Total Revenue And Cash	 <u>\$ 2,467,471</u>	 <u>\$ 2,477,554</u>		
 EXPENDITURES				
Current				
Personnel Services and Benefits	411,301	409,046	409,046	-
Operating Expenses	738,965	696,017	653,610	42,407
Capital Outlay	<u>90,000</u>	<u>26,377</u>	<u>26,337</u>	<u>40</u>
 Total Expenditures	 1,240,266	 1,131,440	 1,088,993	 42,447
 OTHER FINANCING SOURCES (USES)				
Operating Transfers (Net)	<u>189,424</u>	<u>189,424</u>	<u>189,424</u>	<u>-</u>
 Total Expenditures And Other Financing Sources	 <u>\$ 1,050,842</u>	 <u>\$ 942,016</u>	 <u>899,569</u>	 <u>\$ 42,447</u>
 Reconciliation to GAAP Basis				
Changes in Inventory			5,518	
Changes in Accrued Payroll			<u>(405)</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 134,972</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

Business-Type Activities

	Joint Water and Sewer	Sanitation	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,883,789	\$ 18,302	\$ 1,902,091
Restricted Cash	52,773	-	52,773
Customer Accounts Receivable, Net of Allowance For Doubtful Accounts	118,767 (33,181)	17,353 -	136,120 (33,181)
Taxes Receivable	-	13,292	13,292
Inventory	36,308	-	36,308
Other Current Asset - Escrowed Funds	3,650	-	3,650
Total Current Assets	<u>2,062,106</u>	<u>48,947</u>	<u>2,111,053</u>
NONCURRENT ASSETS			
Net Capital Assets	<u>5,593,520</u>	<u>-</u>	<u>5,593,520</u>
Total Assets	<u>\$ 7,655,626</u>	<u>\$ 48,947</u>	<u>\$ 7,704,573</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ -	\$ 5,998	\$ 5,998
Accrued Payroll Expense	5,631	-	5,631
Accrued Compensated Absences	8,241	-	8,241
Current Portion Of Revenue Bonds Payable	6,000	-	6,000
Current Portion Of Notes Payable	3,000	-	3,000
Accrued Interest Payable	592	-	592
Customer Deposits	52,773	-	52,773
Total Current Liabilities	<u>76,237</u>	<u>5,998</u>	<u>82,235</u>
NONCURRENT LIABILITIES			
Revenue Bonds Payable	349,000	-	349,000
Notes Payable	21,000	-	21,000
Total Noncurrent Liabilities	<u>370,000</u>	<u>-</u>	<u>370,000</u>
Total Liabilities	<u>446,237</u>	<u>5,998</u>	<u>452,235</u>
NET ASSETS			
Invested In Capital Assets, Net Of Related Debt	5,593,520	-	5,593,520
Restricted For:			
Capital Projects	1,475,152	-	1,475,152
Unrestricted	140,717	42,949	183,666
Total Net Assets	<u>7,209,389</u>	<u>42,949</u>	<u>7,252,338</u>
Total Liabilities And Net Assets	<u>\$ 7,655,626</u>	<u>\$ 48,947</u>	<u>\$ 7,704,573</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended June 30, 2008

	Business-Type Activities		
	Joint Water and Sewer	Sanitation	Total
OPERATING REVENUES			
Charges For Services	\$ 780,371	\$ 216,713	\$ 997,084
Total Operating Revenues	<u>780,371</u>	<u>216,713</u>	<u>997,084</u>
OPERATING EXPENSES			
Personal Services	235,987	-	235,987
Operations And Maintenance	265,494	226,235	491,729
Depreciation	136,230	-	136,230
Total Operating Expenses	<u>637,711</u>	<u>226,235</u>	<u>863,946</u>
OPERATING INCOME	<u>142,660</u>	<u>(9,522)</u>	<u>133,138</u>
NON-OPERATING REVENUES (EXPENSES)			
Miscellaneous	8,848	-	8,848
State Grants	582,773	-	582,773
Interest Income	2,138	-	2,138
Interest Expense	(27,907)	-	(27,907)
Total Nonoperating Items	<u>565,852</u>	<u>-</u>	<u>565,852</u>
INCOME (LOSS) BEFORE TRANSFERS	708,512	(9,522)	698,990
TRANSFERS IN (OUT)	<u>1,528,683</u>	<u>20,000</u>	<u>1,548,683</u>
Change In Net Assets	2,237,195	10,478	2,247,673
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>4,972,194</u>	<u>32,471</u>	<u>5,004,665</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 7,209,389</u>	<u>\$ 42,949</u>	<u>\$ 7,252,338</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2008

	Business-Type Activities		
	Joint Water and Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received From Customers	\$ 761,055	\$ 148,505	\$ 909,560
Cash Paid To Suppliers	(263,627)	(154,018)	(417,645)
Cash Paid To Employees	(241,578)	20,000	(221,578)
Net Cash Provided By Operating Activities	<u>255,850</u>	<u>14,487</u>	<u>270,337</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Non-Operating	10,986	-	10,986
Capital Transfers from Other Funds	1,528,683	-	1,528,683
Net Cash Provided From Noncapital Financing Activities	<u>1,539,669</u>	<u>-</u>	<u>1,539,669</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid On Capital Debt	(9,000)	-	(9,000)
Capital Grants	582,773	-	582,773
Interest on Capital Debt	(27,907)	-	(27,907)
Payments For Capital Acquisitions	(831,846)	-	(331,846)
Net Cash Used For Capital And Related Financing Activities	<u>(285,980)</u>	<u>-</u>	<u>(285,980)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Escrowed Funds	6,000	-	6,000
Net Cash Provided From Investing Activities	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Net Increase In Cash	1,515,539	14,487	1,530,026
Cash and Cash Equivalents - Beginning Of Year	421,023	3,815	424,838
Cash and Cash Equivalents - End Of Year	<u>\$ 1,936,562</u>	<u>\$ 18,302</u>	<u>\$ 1,954,864</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 142,660	\$ 10,478	\$ 153,138
Noncash Items In Net Income-Depreciation	136,230	-	136,230
(Increase) Decrease In:			
Accounts Receivable	(19,316)	(1,989)	(21,305)
Inventory	(678)	-	(678)
Increase (Decrease) In:			
Accounts Payable	(401)	5,998	5,597
Accrued Interest	(74)	-	(74)
Accrued Payroll And Benefits	(5,591)	-	(5,591)
Customer Deposits	3,020	-	3,020
Net Cash Provided (Used) By Operating Activities	<u>\$ 255,850</u>	<u>\$ 14,487</u>	<u>\$ 270,337</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ruidoso Downs (City) was incorporated in 1947 under the laws of the State of New Mexico. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relations, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units were included in the City's reporting entity.

B. Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are grouped into two broad fund categories and six generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service and capital projects funds. Proprietary funds include two enterprise funds. The City has no fiduciary funds.

C. Basis of Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal activities are eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each program of the governmental activities. Direct expenses are those that are specifically associated with a service program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Specific types of program revenues include museum admittance fees and memberships, copying and other miscellaneous services. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The City reports the following as major governmental funds:

The General Fund is the City's primary operating fund accounting for all financial resources and legally authorized activities except those require to be accounted for in other funds.

The Museum Special Revenue Fund reflects the operations of the Hubbard Museum which were donated to the City on September 1, 2005.

The City reports both of the proprietary funds, the Joint Water & Sewer Fund and the Sanitation Fund, as major funds. These funds account for utility services provided within the City.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within two months of year-end and available to pay obligations of the current period). This includes investment earnings, fines and forfeitures and state-levied locally shared taxes. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

In accordance with GASB Statement 33, estimated property taxes that are not available are recorded as both accounts receivable and deferred revenue. The City received from Lincoln County all collected property taxes by year end. Estimated taxes that were not available at year end have been accrued as taxes receivable and also as deferred revenue liabilities. Property tax revenues and receivables are recognized when levied, net of

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

estimated refunds and uncollectible amounts. Grant revenues are recognized when all of the eligibility requirements have been met.

Other revenues, including licenses and permits, certain charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. The City uses funds and account groups to report on its financial position and the results of its operation. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activity.

The City has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to proprietary funds or the government-wide financial statements. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets

Budgets for all funds are adopted on a regulatory prescribed cash basis. The level of budgetary control is by fund total. Budgetary information is presented as amended, the amendments being adopted in a legally prescribed manner. All appropriations lapse at year-end.

E. Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various certificates of deposits and overnight investment repos. The City considers highly liquid investments and certificates of deposit (including restricted assets) to be cash equivalents (see Note 3).

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The reserve for uncollectible accounts for the Joint Water and Sewer Fund and the Sanitation Fund was \$33,181.

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The bond ordinances call for payment reserves on the various issues which are equal to that amount reflected as restricted.

I. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the governments-wide statement of net assets. Capital assets used by proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the individual proprietary funds. Prior to July 1, 2005, the City's policy was to capitalize capital expenditures of \$1,000 or more. After June 30, 2005, capital expenditures of \$5,000 or more are capitalized.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Additions, improvements, computer software and other capital outlays that significantly extend the useful life of an asset are capitalized. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Capital Asset Account Group. Infrastructure expenditures, such as streets, are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 40 years; improvements and infrastructure, 5 to 50 years; equipment, 3 to 15 years.

Assets acquired under capital leases are included in the assets for which depreciation expense is computed.

In proprietary funds, interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Even though the City has appropriated, accumulated and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board-Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

K. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations are imposed on their use by City legislation or external restrictions by other governments, creditors or grantors.

L. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

M. Inventory

Inventory of the proprietary funds and of the Museum fund are valued at the lower of cost (first-in first-out) or market.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the City administration submits to the City Trustees a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.

The City treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Trustees and the State Department of Finance and Administration.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008

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

None of the City's funds had expenditures in excess of budget for the year ended June 30, 2008.

NOTE 3. CASH AND CASH EQUIVALENTS

The City's policy is to limit cash deposits to insured and/or collateralized demand deposit accounts, the State Treasurer's pool, certificates of deposit and overnight investment repos. All bank balances or deposits as of the balance sheet date were not insured or collateralized with securities held by the City or by its agent in the City's name, in accordance with state statutes. The carrying amount of City's deposits with financial institutions was \$5,833,024 and the bank balances were \$252,672...

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: a. Uncollateralized, b. Collateralized with securities held by the pledging financial institution, or c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. At June 30, 2008, \$5,833,024 of the City's bank balance of \$58,002 was exposed to custodial credit risk as follows:

	<u>In Banks</u>	<u>In Repos</u>	<u>Total</u>
Total Deposits at Depository or Invested	\$ 252,672	\$ 5,580,352	\$ 5,833,024
Less: FDIC Insurance	<u>(194,670)</u>	<u>-</u>	<u>(194,670)</u>
Uninsured public funds	58,002	5,580,352	5,638,354
Repo Investments held by depository trust department in City's name	-	(5,580,352)	(5,580,352)
Pledged collateral held by depository trust department but not in City's name	<u>-</u>	<u>-</u>	<u>-</u>
Uninsured and uncollateralized	<u>\$ 58,002</u>	<u>\$ -</u>	<u>\$ 58,002</u>

See page 70 of this report for a listing of all of the City's depository accounts.

NOTE 4. LIABILITY FOR COMPENSATED ABSENCES

Vacation leave is earned by employees during the year based on time worked and is non-cumulative. Vacation leave due, if any, is paid on an employee's termination. The accrued value of the vacation leave due to employees at June 30, 2008 is \$76,287 (governmental funds \$68,046 and business-type funds \$8,241).

Sick leave is also earned by employees based on length of employment during the year and is also non-cumulative. Compensation for sick leave is limited to time-off and is not monetarily compensated.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Government Funds	\$ 69,835	\$ 65,025	\$ 66,814	\$ 68,046	\$ 68,046
Business Type Activities	<u>12,467</u>	<u>11,250</u>	<u>15,476</u>	<u>8,241</u>	<u>8,241</u>
	<u>\$ 82,302</u>	<u>\$ 76,275</u>	<u>\$ 82,290</u>	<u>\$ 76,287</u>	<u>\$ 76,287</u>

Compensated absences are paid from the fund from which the respective liability originated. These liabilities originate in the General Fund, the Museum Special Revenue Fund, and the Joint Water and Sewer Enterprise Fund.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 5. LONG-TERM DEBT

Long-term debt transactions are as follows:

Government Activities:

3.45 to 4.25% Note payable to New Mexico

Finance Authority payable in various annual
 Principle amounts, maturing August, 2027

\$	-	\$ 1,400,000	\$	-	\$ 1,400,000	\$	39,000
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Total Long-Term Obligations

<u>\$</u>	<u>-</u>	<u>\$ 1,400,000</u>	<u>\$</u>	<u>-</u>	<u>\$ 1,400,000</u>	<u>\$</u>	<u>39,000</u>
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Business Type Activities:

4.75% Revenue Bond, payable to USDA Rural
 Development in various annual principle amounts
 plus accrued interest, maturing June, 2038

351,000	-	(6,000)	355,000	6,000
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5% Note Payable, held by GE Capital, Payable in
 annual payments of \$3,000, plus interest due in
 June 2015.

<u>27,000</u>	<u>-</u>	<u>(3,000)</u>	<u>24,000</u>	<u>3,000</u>
<u>388,000</u>	<u>-</u>	<u>(9,000)</u>	<u>379,000</u>	<u>9,000</u>

Total Long-Term Obligations

<u>\$ 388,000</u>	<u>\$ 1,400,000</u>	<u>\$ (9,000)</u>	<u>\$ 1,779,000</u>	<u>\$ 48,000</u>
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Unamortized Origination Costs (32,526)

Net Long-term Debt \$ 1,746,474

Current year bond origination amortization was \$1,727.

See Note 4 for disclosure of compensated absences.

The annual requirements to amortize principal and interest on all debt outstanding as of June 30, 2008, is as follows:

	Principal	Interest	Total
2009	\$ 48,000	\$ 70,430	\$ 118,430
2010	42,000	68,785	110,785
2011	46,000	67,182	113,182
2012	50,000	65,406	115,406
2013	53,000	63,502	116,502
2014-2018	326,000	279,438	605,438
2019-2023	446,000	198,927	644,927
2024-2028	606,000	105,237	711,237
2029-2033	83,000	30,923	113,923
2034-2037	79,000	9,405	88,405
Total	<u>\$ 1,779,000</u>	<u>\$ 959,235</u>	<u>\$ 2,738,235</u>

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 6. LEASE COMMITMENTS

Capital Leases:

The City is obligated under a certain lease for a fire truck acquired July 12, 1999 at a cost of \$163,170. This lease is accounted for as capital lease. The leased asset and the related obligation are accounted for in the Capital Assets and the Long-Term Debt of the government-wide financial statements. The asset value under the capital lease totaled \$163,170.

The following is a summary of capital lease transactions for the year ended June 30, 2008:

Leases Payable at June 30, 2007	\$ 92,724
New leases acquired	-
Lease payments made	<u>(10,715)</u>
Leases Payable at June 30, 2008	<u>\$ 82,009</u>

The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2008.

Year Ending June 30	
2009	\$ 16,381
2010	16,381
2011	16,381
2012	16,381
2013	16,381
Thereafter	<u>16,381</u>
Minimum Lease Payments	98,286
Less: Amount representing interest	<u>(16,277)</u>
Present Value of minimum lease payments	<u>\$ 82,009</u>

NOTE 7. JOINT POWERS AGREEMENTS

The City is party to three joint powers agreements which are material in nature.

The Ruidoso/Ruidoso Downs Joint Use Board is an agreement between the Village of Ruidoso, the City of Ruidoso Downs and the County of Lincoln whereby the entities secured a grant for the construction of a wastewater treatment plant for the benefit of both municipalities. The budgetary and financial accountability for the operation of the plant lies within the Village of Ruidoso and is included in their annual audit as an agency fund. Current year expenditures relating to this agreement amounted to \$174,065.

The Lincoln County Solid Waste Authority (LCSWA) acts as its own fiscal agent as do other such cooperative organizations and provides an independent audit. All powers rest with the Authority including budgetary, finance, and bonded debt. The participants in LCSWA have also entered into a joint powers agreement with Otero County, Alamogordo, Tularosa and Cloudcroft for the purpose of forming the Otero/Lincoln County Regional

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Landfill. The financial information for this venture is included in the fiscal agent's (Alamogordo) audit report. The City of Ruidoso Downs has committed the Environmental Gross Receipts Tax collected to service bonds issued by Alamogordo to construct the facility. The City remitted \$60,221 to the Authority for Environmental Gross Receipt Tax during the current year.

In addition to the above, the City of Ruidoso Downs and the Ruidoso Municipal School District entered into an agreement for the use of the softball field at the All American Park. The property is owned by the City. The school district will pay the City rent in the amount of \$1.00 for the use of the softball field. The agreement will be renewed annually.

There are no required capital contributions to the joint power entities and the only financial transactions are for charges for services in the normal course of business.

NOTE 8. RISK MANAGEMENT AND LITIGATION

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained insurance through a commercial carrier to insure against potential losses and claims. The premiums are based on payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end, based on the ultimate level of expenditures.

The City is currently involved in five cases of pending litigation which expose the City to low or moderate financial liability due to applicable insurance coverage on four claims and no monetary liability defined on the fifth case.

NOTE 9. CONTINGENT LIABILITIES

The wastewater treatment plant, discussed in Note 7, has been determined to be inadequate by the Environmental Protection Agency. The cost of modifications required to be made have not been determined. The modifications will be made in phases, and the City will share in these cost based on use percentages. The Joint Use Board has acquired a loan from the state of New Mexico to finance a portion of these improvements in the amount of \$1,513,154. The City is a guarantor of that debt and is billed by the Joint Use Board for its respective share of the debt service expenditures, currently \$13,831 annually.

NOTE 10. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D. of Chapter 6, Laws of 1990, the City has elected not to participate in the program by adoption of Ordinance 1990-02.

NOTE 11. PERA PENSION PLAN

Plan Description. All of the City of Ruidoso Downs full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (PERA) (Chapter 10, Article 11, NMSA 1978) of the State of New Mexico. PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 1029, Santa Fe, NM 87503.

Funding Policy. Plan members are required to contribute seven percent of their gross salary. The City is required to contribute ten percent of gross salary for police and fire department employees and seven percent for all other employees. The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008

PERA for the years ending June 30, 2008, 2007, and 2006 were \$216,200, \$212,479, and \$203,394, respectively, equal to the amount of the required contributions for each year.

NOTE 12. DEFICIT FUND BALANCE

None of the City's funds had deficit fund balances at June 30, 2008.

NOTE 13. PROPERTY TAXES

Property taxes include amounts levied against all real property and all tangible personal property used in businesses located in the City. The Lincoln County Treasurer bills and collects the City's tax levy, which is payable in two installments on November 10 and April 10. Property taxes attach as an enforceable lien on January 1. Collections by the County are remitted to the City monthly. No allowance for uncollectible taxes has been recorded since; all taxes are considered collectible by the County Treasurer. As of June 30, 2008, all uncollected taxes are considered delinquent.

NOTE 14. SURETY BONDS

The officials and certain employees of the City are covered by a surety bond as required by Section 12-6-7, 1978 compilation.

NOTE 15. INTERFUND TRANSACTIONS

Transfers are used to move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them.

<u>Transfer From</u>	<u>Transfer To</u>	
General Fund		\$ (298,689)
	Museum	189,242
Debt Service		(1,400,000)
Infrastructure		(257,366)
Lodger's Tax		(103,468)
Gas Tax		(14,600)
	Street Improvement	336,016
	Water/Sewer/Sanitaiton	<u>1,548,865</u>
Net Transfers		<u>\$ -</u>

Transfers made into the Joint Water & Sewer Fund from the Debt Service Fund were made for water improvement projects constructed within the fund, and accordingly, at the completion of the projects would be depreciated in that fund.

Transfers to the Museum Fund from the General Fund and other non-major governmental funds were to supplement operations of the museum.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 16. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance 6/30/07	Additions	(Reductions)	Balance 6/30/08
Government Activities:				
Capital Assets not being Depreciated				
Land	\$ 226,634	\$ -	\$ -	\$ 226,634
Museum artifacts and collectibles	5,501,835	-	-	5,501,835
Total capital assets not being depreciated	<u>5,728,269</u>	<u>-</u>	<u>-</u>	<u>5,728,269</u>
Capital Assets Being depreciated:				
Buildings and improvements	2,904,795	9,799	-	2,914,595
Streets and other infrastructure	1,133,085	263,742	-	1,401,827
Equipment	1,858,505	38,320	-	1,905,825
Total capital assets being depreciated	<u>5,906,385</u>	<u>316,851</u>	<u>-</u>	<u>6,223,247</u>
Less: accumulated depreciation for				
Buildings and improvements	395,952	70,373	-	466,325
Streets and other infrastructure	75,129	14,400	-	90,529
Equipment	1,312,853	173,602	-	1,491,455
Total accumulated depreciation	<u>1,784,934</u>	<u>263,375</u>	<u>-</u>	<u>2,048,309</u>
Total capital assets being depreciated, net	<u>4,121,452</u>	<u>53,485</u>	<u>-</u>	<u>4,174,938</u>
Government activity capital assets, net	<u>\$ 9,849,721</u>	<u>\$ 53,485</u>	<u>\$ -</u>	<u>\$ 9,903,207</u>
Business Type Activities:				
Capital Assets not being Depreciated				
Land and Water Rights	\$ 951,581	\$ 36,000	\$ -	\$ 987,581
Construction in Progress	70,312	-	(70,312)	-
Total capital assets not being depreciated	<u>1,021,893</u>	<u>36,000</u>	<u>(70,312)</u>	<u>987,581</u>
Capital Assets Being depreciated:				
Buildings and improvements	36,221	-	-	36,221
Distribution Systems	4,795,993	795,493	-	5,591,486
Equipment	636,766	70,691	-	707,457
Total capital assets being depreciated	<u>5,469,980</u>	<u>866,184</u>	<u>-</u>	<u>6,336,164</u>
Less: accumulated depreciation for				
Buildings and improvements	26,296	1,381	-	27,677
Distribution Systems	1,185,515	93,835	-	1,284,350
Equipment	381,163	35,935	-	417,148
Total accumulated depreciation	<u>1,592,974</u>	<u>136,231</u>	<u>-</u>	<u>1,729,205</u>
Total capital assets being depreciated, net	<u>3,876,011</u>	<u>729,928</u>	<u>-</u>	<u>4,605,939</u>
Business-type activity capital assets, net	<u>\$ 4,897,904</u>	<u>\$ 765,928</u>	<u>\$ (70,312)</u>	<u>\$ 5,593,520</u>
Governmental activity depreciation was charged to functions as follows:				
General Government	\$ 98,801			
Public Safety	44,059			
Public Works	74,493			
Culture and recreation	45,022			
Total depreciation	<u>\$ 263,375</u>			

NOTE 17. RESTATEMENTS

Restatements reflect a prior period adjustment reported on the Museum Special Revenue Fund, Statement of Revenues, Expenditures and Changes in Fund Balances. This restatement was the result of a prior year adjusting entry to General Fund to adjust accounts payable relating to medical and worker's compensation insurance payable which was not reflected on the audited financial statements in the amount of \$84,678...

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Cash	\$ 578,635	\$ 50,002	\$ 628,637
Receivables	78,314	-	78,314
Due From Other Governments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 656,949</u>	<u>\$ 50,002</u>	<u>\$ 706,951</u>
Liabilities And Fund Balances			
Liabilities			
Deferred Revenue	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u> </u>	<u> </u>
Fund Balances			
Reserved For Capital Improvements	656,949	50,002	706,951
Unreserved	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>656,949</u>	<u>50,002</u>	<u>706,951</u>
Total Liabilities And Fund Balances	<u>\$ 656,949</u>	<u>\$ 50,002</u>	<u>\$ 706,951</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 467,747	\$ -	\$ 467,747
Intergovernmental	268,311	-	268,311
Fines And Forfeitures	5,132	-	5,132
Miscellaneous	76	-	76
Total Revenues	<u>741,266</u>	<u>-</u>	<u>741,266</u>
Expenditures			
Current Operations:			
General Government	18,092	-	18,092
Public Safety	82,781	-	82,781
Highways And Streets	366,051	-	366,051
Culture And Recreation	-	-	-
Capital Leases	16,381	-	16,381
Total Expenditures	<u>483,305</u>	<u>-</u>	<u>483,305</u>
 Excess Revenues Over (Under) Expenditures	 <u>257,961</u>	 <u>-</u>	 <u>257,961</u>
 Other Financing Sources (Uses):			
Operating Transfers, Net	(39,418)	-	(39,418)
Total Other Financing Sources (Uses)	<u>(39,418)</u>	<u>-</u>	<u>(39,418)</u>
 Net Change In Fund Balances	 218,543	 -	 218,543
 Fund Balances At Beginning Of Year	 <u>438,406</u>	 <u>50,002</u>	 <u>488,408</u>
 Fund Balances At End Of Year	 <u>\$ 656,949</u>	 <u>\$ 50,002</u>	 <u>\$ 706,951</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 STATEMENT OF EXPENDITURES -- BY DEPARTMENT -- GENERAL FUND
 For The Year Ended June 30, 2008

GENERAL GOVERNMENT	
Legislative	67,902
Judicial	128,051
Elections	2,956
Executive	183,718
Legal	213,442
Finance and Administration	292,926
Planning	185,684
Code Enforcement	<u>45,468</u>
Total General Government	\$ 1,120,147
PUBLIC SAFETY	
Public Safety	827,602
Fire Department	117,732
Animal Control	<u>52,366</u>
Total Public Safety	997,700
CULTURE AND RECREATION	
Parks and Recreation	143,743
Senior Citizens	<u>35,505</u>
Total Culture and Recreation	179,248
HIGHWAYS AND STREETS	
Street Department	165,003
Mechanical	<u>163,214</u>
Total Highway and Streets	328,217
OTHER	<u>87,609</u>
Total General Fund Expenditures	<u>\$ 2,712,921</u>

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The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF EXPENDITURES -- BY DEPARTMENT
BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) -- GENERAL FUND
For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT				
Legislative	\$ 61,078	\$ 67,905	\$ 67,902	3
Judicial	123,472	129,107	127,731	1,376
Elections	3,950	2,957	2,956	1
Executive	200,966	187,043	183,659	3,384
Legal	287,038	233,479	233,479	-
Finance and Administration	316,051	293,449	293,449	-
Planning	196,301	192,664	186,025	6,639
Code Enforcement	58,600	45,704	45,529	175
Total General Government	<u>1,247,456</u>	<u>1,152,308</u>	<u>1,140,730</u>	<u>11,578</u>
PUBLIC SAFETY				
Public Safety	1,007,042	839,261	829,017	10,244
Fire Department	222,904	258,706	118,115	140,591
Aminal Control	51,148	52,818	52,388	430
Total Public Safety	<u>1,281,094</u>	<u>1,150,785</u>	<u>999,520</u>	<u>151,265</u>
CULTURE AND RECREATION				
Parks and Recreation	178,672	143,894	143,894	-
Senior Citizens	35,959	35,505	35,505	-
Total Culture and Recreation	<u>214,631</u>	<u>179,399</u>	<u>179,399</u>	<u>-</u>
HIGHWAYS AND STREETS				
Street Department	169,032	167,111	165,017	2,094
Mechanical	232,637	163,833	163,654	179
Total Highway and Streets	<u>401,669</u>	<u>330,944</u>	<u>328,671</u>	<u>2,273</u>
OTHER				
	190,500	91,493	87,609	3,884
Total General Fund Expenditures	<u>\$ 3,335,350</u>	<u>\$ 2,904,929</u>	<u>\$ 2,735,929</u>	<u>\$ 169,000</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

SPECIAL REVENUE FUNDS

Museum Fund – to account for the operations of the Hubbard Museum. Authority for this fund is the City Council.

Fire Fund – to account for the operation of the City volunteer fire department. Financing is provided by allotments from the State of New Mexico. Authority for this fund is Article 52, Section 979 of the NM State Insurance Code.

Recreation Fund -- to account for the operation and maintenance of the City owned parks. Financing is provided by the cigarette tax. Authority is Section 7-12-15 NASA 1978.

Infrastructure Fund -- to account for the operations and maintenance of funds restricted for the repair and replacement of infrastructure improvements. Financing is provided by a 1/2 of 1% tax on the gross receipts within the City. The funds may be used only for sewer and street repairs and replacements, or for the acquisition of rights-of-way. Authority is by City ordinance.

Local Government Correction Fund – to account for the operations and maintenance of the City correctional facility. Financing is provided by a special charge of \$5 per traffic ticket. Such fines may only be used for improvements to and operation of the jail. Authority is Section 35-14-11 NASA 1978.

Law Enforcement Protection Fund – to account for the operations and maintenance of a special grant for the police department. Financing is provided by a grant from the State. The grant may be used only for the operations of the police department. Authority is Section 29-13-1 NASA 1978.

Lodgers' Tax Fund -- to account for the operation of promotional activity for the Village, mostly through payment to promotion oriented agencies. Financing is provided primarily by a specific tax levy on area motels and hotels. Authority is Section 3-33-15 NMSA 1978.

Gas Tax Road Fund -- to account for a portion of the gasoline tax revenue received from the State and the expenditure thereof. Authority is City management.

Emergency Medical Services Fund -- to account for an annual ambulance subsidy from the State of New Mexico and related expenditures. Authority for this fund is City management.

Judicial Education Fund – to account for a designated portion of traffic fines. Authority for this fund is City management.

Court Automation Fund – to account for a designated portion of traffic fines. Authority for this fund is City management.

Street Improvement Fund – to account for funds designated for street repairs. Authority for this fund is City management.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 COMBINING BALANCE SHEET -- NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2007

	Fire Fund	Recreation		Infrastructure		Local Government		Law Enforcement		Lodgers Tax Fund	Gas Tax Road Fund		Emergency Medical Services	Judicial Education Fund		Court Automation Fund		Street Improvement Fund		Totals	
		Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund		Fund	Fund		Fund	Fund	Fund	Fund	Fund	Fund		Fund
ASSETS																					
Cash in Bank	\$ 15,903	\$ 5,344	\$ 19,357	\$ 50,040	\$ 19,241	\$ 201,932	\$ 1	\$ 2,049	\$ 158	\$ 493	\$ 578,635										
Taxes Receivable	-	248	53,131	-	-	22,506	-	-	-	-	78,314										
Other	-	-	-	-	-	-	-	-	-	-	-										
Inventory	-	-	-	-	-	-	-	-	-	-	-										
Total Assets	\$ 15,903	\$ 5,592	\$ 72,488	\$ 50,040	\$ 19,241	\$ 224,438	\$ 2,430	\$ 2,049	\$ 158	\$ 493	\$ 656,949										

LIABILITIES AND FUND BALANCE

LIABILITIES																					
Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -										
Accrued Compensated Absences	-	-	-	-	-	-	-	-	-	-	-										
Accrued Payroll Expense	-	-	-	-	-	-	-	-	-	-	-										
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-										

FUND BALANCE																					
Designated	15,903	5,592	72,488	50,040	19,241	224,438	2,430	2,049	158	493	656,949										
Undesignated	-	-	-	-	-	-	-	-	-	-	-										
Total Fund Balance	15,903	5,592	72,488	50,040	19,241	224,438	2,430	2,049	158	493	656,949										
Total Liabilities And Fund Balance	\$ 15,903	\$ 5,592	\$ 72,488	\$ 50,040	\$ 19,241	\$ 224,438	\$ 2,430	\$ 2,049	\$ 158	\$ 493	\$ 656,949										

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE--NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended June 30, 2007

	Fire Fund	Recreation Fund	Infrastructure Fund	Local Government		Law Enforcement Protection Fund	Lodgers Tax Fund	Gas Tax Road Fund	Emergency Medical Services	Judicial Education Fund	Court Automation Fund	Street Improvement Fund	Totals
				Government Correction Fund	Corrections Fund								
REVENUES													
Taxes	\$ -	\$ 1,916	\$ 264,537	\$ -	\$ -	\$ 185,448	\$ 15,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 467,747
Intergovernmental	65,438	-	-	14,296	23,600	-	-	11,288	1,413	-	-	152,276	268,311
Charges For Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines And Forfeits	-	-	-	-	-	-	-	-	-	-	5,132	-	5,132
Other	-	-	-	-	-	76	-	-	-	-	-	-	76
Total Revenues	65,430	1,916	264,537	14,296	23,600	185,522	15,848	11,288	1,413	5,132	152,276	741,266	
EXPENDITURES													
Current:													
General Government	-	-	-	-	-	18,092	-	-	-	-	-	-	18,092
Public Safety	39,074	-	-	0,799	19,358	-	-	9,376	1,304	4,870	-	-	82,781
Highways And Streets	-	-	-	-	-	-	-	-	-	-	-	366,051	366,051
Culture And Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Leases	16,381	-	-	-	-	-	-	-	-	-	-	-	16,381
Total Expenditures	55,455	-	-	8,799	19,358	18,092	15,848	9,376	1,304	4,870	366,051	483,305	
Excess (Deficiency) Of Revenues Over Expenditures	9,983	1,916	264,537	5,497	4,242	167,430	15,848	1,912	109	262	(213,775)	257,961	
OTHER FINANCING SOURCES (USES):													
Contributions	-	-	(257,366)	-	-	(103,468)	(14,600)	-	-	-	-	336,016	(39,418)
Operating Transfers	-	-	(257,366)	-	-	(103,468)	(14,600)	-	-	-	-	336,016	(39,418)
Total Other Sources	-	-	(257,366)	-	-	(103,468)	(14,600)	-	-	-	-	336,016	(39,418)
NET CHANGE IN FUND BALANCES	9,983	1,916	7,171	5,497	4,242	63,962	1,248	1,912	109	262	122,241	218,543	
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-	-	-	-	-	
FUND BALANCE AT BEGINNING OF YEAR	5,920	3,076	85,317	44,543	14,999	160,476	1,182	137	49	231	141,878	438,400	
FUND BALANCE AT END OF YEAR	\$ 15,903	\$ 5,592	\$ 72,488	\$ 50,040	\$ 19,241	\$ 224,438	\$ 2,430	\$ 2,049	\$ 158	\$ 493	\$ 264,117	\$ 656,949	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
FIRE SPECIAL REVENUE FUND
For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
Intergovernmental:	\$ 65,438	\$ 65,438	\$ 65,438	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	65,438	65,438	<u>65,438</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>5,920</u>	<u>5,920</u>		
Total Revenue And Cash	<u>\$ 71,358</u>	<u>\$ 71,358</u>		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Public Safety	\$ 48,957	\$ 39,075	\$ 39,074	\$ 1
Capital Leases	16,481	16,381	16,381	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	65,438	55,456	55,455	1
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 65,438</u>	<u>\$ 55,456</u>	<u>55,455</u>	<u>\$ 1</u>
Reconciliation to GAAP Basis				
Changes in Receivables				-
Changes in Payables				<u>-</u>
Excess (Deficiency) of Revenues over expenditures			<u>\$ 9,983</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
RECREATION SPECIAL REVENUE FUND
For The Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Intergovernmental:				
Cigarette Tax	\$ 1,400	\$ 1,911	\$ 1,911	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	1,400	1,911	<u>1,911</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>3,433</u>	<u>3,433</u>		
Total Revenue And Cash	<u>\$ 4,833</u>	<u>\$ 5,344</u>		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Operating Expenses	\$ 4,833	\$ -	\$ -	\$ -
Capital Leases	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	4,833	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 4,833</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation to GAAP Basis				
Changes in Receivables				5
Changes in Payables				<u>-</u>
Excess (Deficiency) of Revenues over expenditures			<u>\$ 1,916</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
INFRASTRUCTURE SPECIAL REVENUE FUND
For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Taxes	\$ 276,194	\$ 257,366	\$ 257,366	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	276,194	257,366	<u>257,366</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>19,357</u>	<u>19,357</u>		
Total Revenue And Cash	<u>\$ 295,551</u>	<u>\$ 276,723</u>		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Operating Expenses	\$ -	\$ -	\$ -	\$ -
Capital Leases	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(276,194)</u>	<u>(257,366)</u>	<u>(257,366)</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 276,194</u>	<u>\$ 257,366</u>	<u>257,366</u>	<u>\$ -</u>
Reconciliation to GAAP Basis				
Changes in Receivables			7,171	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 7,171</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
LOCAL GOVERNMENT CORRECTION SPECIAL REVENUE FUND
For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
Intergovernmental	\$ 14,500	\$ 14,296	\$ 14,296	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	14,500	14,296	<u>14,296</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>44,543</u>	<u>44,543</u>		
Total Revenue And Cash	<u>\$ 59,043</u>	<u>\$ 58,839</u>		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Public Safety	\$ 4,500	\$ 4,090	\$ 4,058	\$ 32
Capital Outlay	<u>6,000</u>	<u>4,750</u>	<u>4,741</u>	<u>9</u>
Total Expenditures	10,500	8,840	8,799	41
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 10,500</u>	<u>\$ 8,840</u>	<u>8,799</u>	<u>\$ 41</u>
Reconciliation to GAAP Basis				
Changes in Receivables				-
Changes in Payables				<u>-</u>
Excess (Deficiency) of Revenues over expenditures			<u>\$ 5,497</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND
For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Intergovernmental	\$ -	\$ 23,600	\$ 23,600	\$ -
Miscellaneous	-	-	-	-
Total Revenue	-	23,600	23,600	\$ -
Budgeted Cash Balance	14,999	14,999		
Total Revenue And Cash	<u>\$ 14,999</u>	<u>\$ 38,599</u>		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Public Safety	\$ -	\$ 20,116	\$ 19,358	\$ 758
Capital Outlay	-	-	-	-
Total Expenditures	-	20,116	19,358	758
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total Expenditures And Other Financing Sources	<u>\$ -</u>	<u>\$ 20,116</u>	<u>19,358</u>	<u>\$ 758</u>
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			-	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 4,242</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
LODGER'S TAX SPECIAL REVENUE FUND
For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Taxes	\$ 125,100	\$ 175,685	\$ 175,685	\$ -
Miscellaneous	-	76	76	-
Total Revenue	125,100	175,762	175,762	\$ -
Budgeted Cash Balance	147,730	147,730		
Total Revenue And Cash	\$ 272,830	\$ 323,492		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Operating Expenses	\$ 23,750	\$ 18,000	\$ 18,092	\$ (92)
Capital Leases	-	-	-	-
Capital Outlay	81,426	-	-	-
Total Expenditures	105,176	18,000	18,092	(92)
OTHER FINANCING SOURCES (USES)				
Transfers	-	103,468	103,468	-
Total Expenditures And Other Financing Sources	\$ 105,176	\$ (85,468)	121,560	\$ (92)
Reconciliation to GAAP Basis				
Changes in Receivables			9,760	
Changes in Payables			-	
Excess (Deficiency) of Revenues over expenditures			\$ 63,962	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
GAS TAX ROAD SPECIAL REVENUE FUND
For The Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
Taxes	\$ 23,000	\$ 14,601	\$ 14,601	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	23,000	14,601	<u>14,601</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>-</u>	<u>-</u>		
Total Revenue And Cash	<u>\$ 23,000</u>	<u>\$ 14,601</u>		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Operating Expenses	\$ -	\$ -	\$ -	\$ -
Capital Leases	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(23,000)</u>	<u>(14,600)</u>	<u>(14,600)</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 23,000</u>	<u>\$ 14,600</u>	<u>14,600</u>	<u>\$ -</u>
Reconciliation to GAAP Basis				
Changes in Receivables			1,247	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 1,248</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Intergovernmental:	\$ 3,000	\$ 11,288	\$ 11,288	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	3,000	11,288	<u>11,288</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>137</u>	<u>137</u>		
Total Revenue And Cash	<u>\$ 3,137</u>	<u>\$ 11,425</u>		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Public Safety	\$ 3,000	\$ 7,229	\$ 4,966	\$ 2,263
Capital Outlay	<u>-</u>	<u>4,410</u>	<u>4,410</u>	<u>-</u>
Total Expenditures	3,000	11,639	9,376	2,263
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 3,000</u>	<u>\$ 11,639</u>	<u>9,376</u>	<u>\$ 2,263</u>
Reconciliation to GAAP Basis				
Changes in Receivables				-
Changes in Payables				<u>-</u>
Excess (Deficiency) of Revenues over expenditures			<u>\$ 1,912</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
JUDICIAL EDUCATION SPECIAL REVENUE FUND
For The Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Intergovernmental	\$ 1,500	\$ 1,413	\$ 1,413	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	1,500	1,413	<u>1,413</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>49</u>	<u>49</u>		
Total Revenue And Cash	<u>\$ 1,549</u>	<u>\$ 1,462</u>		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Public Safety	\$ 1,500	\$ 1,462	\$ 1,304	\$ 158
Capital Leases	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	1,500	1,462	1,304	158
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 1,500</u>	<u>\$ 1,462</u>	<u>1,304</u>	<u>\$ 158</u>
Reconciliation to GAAP Basis				
Changes in Receivables				-
Changes in Payables				<u>-</u>
Excess (Deficiency) of Revenues over expenditures			<u>\$ 109</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
COURT AUTOMATION SPECIAL REVENUE FUND
For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Fines and Forfeits	\$ 5,000	\$ 5,132	\$ 5,132	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	5,000	5,132	<u>5,132</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>231</u>	<u>231</u>		
Total Revenue And Cash	<u>\$ 5,231</u>	<u>\$ 5,363</u>		
EXPENDITURES – PUBLIC SAFETY				
Current				
Public Safety	\$ 5,000	\$ 5,363	\$ 4,870	\$ 493
Capital Leases	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	5,000	5,363	4,870	493
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 5,000</u>	<u>\$ 5,363</u>	<u>4,870</u>	<u>\$ 493</u>
Reconciliation to GAAP Basis				
Changes in Receivables				-
Changes in Payables				<u>-</u>
Excess (Deficiency) of Revenues over expenditures			<u>\$ 262</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
STREET IMPROVMENTSPECIAL REVENUE FUND
For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
Intergovernmental:	\$ 453,625	\$ 152,277	\$ 152,276	\$ 1
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	453,625	152,277	<u>152,276</u>	<u>\$ 1</u>
Budgeted Cash Balance	<u>141,876</u>	<u>141,876</u>		
Total Revenue And Cash	<u>\$ 610,501</u>	<u>\$ 294,153</u>		
EXPENDITURES -- PUBLIC SAFETY				
Current				
Operating Expenses	\$ -	\$ -	\$ -	\$ -
Capital Leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay	<u>698,540</u>	<u>396,745</u>	<u>366,051</u>	<u>30,694</u>
Total Expenditures	698,540	396,745	366,051	30,694
OTHER FINANCING SOURCES (USES)				
Transfers	<u>353,097</u>	<u>336,016</u>	<u>336,016</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 345,443</u>	<u>\$ 60,729</u>	<u>30,035</u>	<u>\$ 30,694</u>
Reconciliation to GAAP Basis				
Changes in Receivables				-
Changes in Payables				-
Excess (Deficiency) of Revenues over expenditures			<u>\$ 122,241</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

CAPITAL PROJECT FUNDS

To account for the City's capital improvement projects funded by special appropriation grants.

Current year CDBG project grants disclosed are:

Colonias Grant Fund– Water system improvement project.

Infrastructure Grant Fund – Drainage system improvement project.

Planning Grant Fund

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 COMBINING BALANCE SHEETS
 CAPITAL PROJECT FUNDS
 June 30, 2008

	Non-Major Funds			Totals
	Infrastructure Grant Fund	Colonias Grant Fund	Planning Grant Fund	
ASSETS				
Cash In Bank	\$ 1	\$ 50,000	\$ 1	\$ 50,002
Grants Receivable	-	-	-	-
Total Assets	<u>\$ 1</u>	<u>\$ 50,000</u>	<u>\$ 1</u>	<u>\$ 50,002</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
FUND BALANCE				
Reserved For Capital Improvements	<u>1</u>	<u>50,000</u>	<u>1</u>	<u>50,002</u>
Total Liabilities And Fund Equity	<u>\$ 1</u>	<u>\$ 50,000</u>	<u>\$ 1</u>	<u>\$ 50,002</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 CAPITAL PROJECT FUNDS
 For The Year Ended June 30, 2008

	Non-Major Funds			Totals
	Infrastructure Grant Fund	Colonias Grant Fund	Planning Grant Fund	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenue	-	-	-	-
EXPENDITURES				
General Government	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) Of Revenues Over Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	1	50,001	1	50,003
FUND BALANCE AT END OF YEAR	<u>\$ 1</u>	<u>\$ 50,001</u>	<u>\$ 1</u>	<u>\$ 50,003</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
INFRASTRUCTURE GRANT FUND-CAPITAL PROJECT FUND
For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
CDBG Grant	\$ -	\$ -	\$ -	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	-	-	<u>-</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>-</u>	<u>-</u>		
Total Revenue And Cash	<u>\$ 1</u>	<u>\$ 1</u>		
EXPENDITURES				
Capital Outlay	\$ -	\$ -	\$ -	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation to GAAP Basis				
Changes in Receivables			<u>-</u>	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ -</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
COLONIAS GRANT FUND-CAPITAL PROJECT FUND
For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
CDBG Grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	500,000	500,000	<u>-</u>	<u>\$ 500,000</u>
Budgeted Cash Balance	<u>50,000</u>	<u>50,000</u>		
Total Revenue And Cash	<u>\$ 550,000</u>	<u>\$ 550,000</u>		
EXPENDITURES				
Capital Outlay	\$ 550,000	\$ 550,000	\$ -	\$ 550,000
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	550,000	550,000	-	550,000
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>-</u>	<u>\$ 550,000</u>
Reconciliation to GAAP Basis				
Changes in Receivables				-
Changes in Payables				<u>-</u>
Excess (Deficiency) of Revenues over expenditures			<u>\$ -</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
PLANNING GRANT FUND-CAPITAL PROJECT FUND
For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
CDBG Grant	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total Revenue	-	-	-	\$ -
Budgeted Cash Balance	1	1		
Total Revenue And Cash	\$ 1	\$ 1		
EXPENDITURES				
Capital Outlay	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total Expenditures And Other Financing Sources	\$ -	\$ -	-	\$ -
Reconciliation to GAAP Basis				
Changes in Receivables				-
Changes in Payables				-
Excess (Deficiency) of Revenues over expenditures			\$ -	

The accompanying notes to the basic financial statements are an integral part of this statement.

Debt Service

Debt Service Fund—to account for revenues and expenditures related to bond issuers of the City of Ruidoso Downs.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 BALANCE SHEET
 DEBT SERVICE FUND
 June 30, 2008

Assets	
Cash	\$ 2,948
Receivables	<u>250</u>
Total Assets	<u>\$ 3,198</u>
Liabilities And Fund Balances	
Liabilities	
Deferred Revenue	<u>\$ 250</u>
Total Liabilities	<u>250</u>
Fund Balances (Deficit)	
Reserved For Debt Service	2,948
Unreserved	<u>-</u>
Total Fund Balances	<u>2,948</u>
Total Liabilities And Fund Balances	<u>\$ 3,198</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 CITY OF RUIDOSO DOWNS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUND
 For The Year Ended June 30, 2008

Revenues	
Taxes	\$ 45,092
Bond Proceeds	1,400,000
Interest	6,534
Miscellaneous	-
Total Revenues	<u>1,451,626</u>
Expenditures	
Interest	13,973
Origination Costs and Other	<u>34,705</u>
Total Expenditures	<u>48,678</u>
Excess Revenues Over (Under) Expenditures	<u>1,402,948</u>
Other Financing Sources (Uses):	
Operating Transfers, Net	<u>(1,400,000)</u>
Total Other Financing Sources (Uses)	<u>(1,400,000)</u>
Net Change in Fund Balances	2,948
Fund Balances At Beginning Of Year	<u>-</u>
Fund Balances At End Of Year	<u>\$ 2,948</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
DEBT SERVICE FUND
For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
Taxes	\$ -	\$ 45,092	\$ 45,092	\$ -
Interest	-	6,534	6,534	-
Bond Proceeds	-	1,400,000	1,400,000	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	-	1,451,626	<u>1,451,626</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>-</u>	<u>-</u>		
Total Revenue And Cash	<u>\$ -</u>	<u>\$ 1,451,626</u>		
EXPENDITURES				
Capital Outlay	\$ -	\$ -	-	\$ -
Debt Service-Interest	-	13,973	13,973	-
Bond Origination	-	34,253	34,253	-
Other	<u>-</u>	<u>452</u>	<u>452</u>	<u>-</u>
Total Expenditures	-	48,678	48,678	-
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ -</u>	<u>\$ 1,448,678</u>	<u>1,448,678</u>	<u>\$ -</u>
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 2,948</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS

Joint Water and Sewer Fund -- to account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Sanitation Fund -- to account for the collection of City sanitation fees and the environmental gross receipts tax, and the related remittance of same to the Lincoln County Solid Waste Authority.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
JOINT WATER AND SEWER ENTERPRISE FUND
For The Year Ended June 30, 2008

REVENUE	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Sales of Service				
Connection Charges				
Penalty Charges	\$ 717,290	\$ 692,411	\$ 692,411	\$ -
Gross Receipts tax	9,700	13,738	13,738	-
Deposits Received	15,000	14,791	14,791	-
State Grants	35,511	37,524	37,524	-
Other	2,050	2,295	2,296	(1)
	2,339,000	581,984	581,983	1
Total Revenue	<u>8,775</u>	<u>32,316</u>	<u>32,316</u>	<u>-</u>
 Budgeted Cash Balance	 3,127,326	 1,375,059	 <u>1,375,059</u>	 <u>\$ -</u>
 Total Revenue And Cash	 <u>371,270</u>	 <u>371,270</u>		
 EXPENDITURES	 <u>\$ 3,498,596</u>	 <u>\$ 1,746,329</u>		
Personnel Services				
Operating Expense				
Sales Tax	\$ 231,996	\$ 241,578	\$ 241,578	\$ -
Capital Outlay	339,149	317,086	292,903	24,183
Loan Payments	18,144	35,382	31,883	3,499
Deposit Refunds	1,316,750	1,128,528	726,702	401,826
	185,385	74,893	74,893	-
Total Expenditures	<u>1,700</u>	<u>1,720</u>	<u>1,720</u>	<u>-</u>
 OTHER FINANCING SOURCES (USES)	 2,093,124	 1,799,187	 1,369,679	 429,508
Transfers				
Total Expenditures And Other Financing Sources	<u>(28,097)</u>	<u>1,528,683</u>	<u>1,528,683</u>	<u>-</u>
	 <u>\$ 2,121,221</u>	 <u>\$ 270,504</u>	 1,534,063	 <u>\$ 429,508</u>

Reconciliation to GAAP Basis	
Changes in Receivables	790
Changes in Inventory	678
Reclass escrowed funds	(6,000)
Reclass Capital Outlay	831,847
Current Year Depreciation	(136,231)
Changes in Account Payable	401
Reclass Debt Service	9,000
Changes in Account Payable	74
Changes in Deposits	(3,020)
Changes in Accrued Payroll	1,367
Changes in Accrued Compensation	4,226

The accompanying notes Excess (Deficiency) of Revenues over expenditures \$ 2,237,195

The accompanying notes to the basic financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGETED TO ACTUAL (NON-GAAP BUDGETARY BASIS) --
SANITATION ENTERPRISE FUND
For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
Sales of Service	\$ 109,312	\$ 151,309	\$ 150,303	\$ 1,006
Connection Charges	-	-	-	-
Penalty Charges	-	-	-	-
Gross Receipts Tax	58,720	64,221	64,421	(200)
Deposits Received	-	-	-	-
State Grants	-	-	-	-
Other	-	-	-	-
	<u>168,032</u>	<u>215,530</u>	<u>214,724</u>	<u>\$ 806</u>
 Total Revenue				
 Budgeted Cash Balance	<u>3,815</u>	<u>3,815</u>		
 Total Revenue And Cash	<u>\$ 171,847</u>	<u>\$ 219,345</u>		
EXPENDITURES				
Personnel Services	\$ -	\$ -	\$ -	\$ -
Operating Expense	129,312	160,017	160,016	1
Sales Tax	58,720	60,222	60,221	1
Loan Payments	-	-	-	-
Capital Outlay	-	-	-	-
Deposit Refunds	-	-	-	-
	<u>188,032</u>	<u>220,239</u>	<u>220,237</u>	<u>2</u>
 Total Expenditures				
OTHER FINANCING SOURCES (USES)				
Transfers	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
 Total Expenditures And Other Financing Sources	<u>\$ 168,032</u>	<u>\$ 200,239</u>	<u>200,237</u>	<u>\$ 2</u>
 Reconciliation to GAAP Basis				
Changes in Receivables			1,989	
Changes in Payables			<u>(5,998)</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 10,478</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

State of New Mexico
 City of Ruidoso Downs
 Schedule of Deposits and Pledged Collateral Under State Requirements
 June 30, 2008

Institution	Financial	Account Name	Account Type	Reconciled Balance	O/S Deposits Balance	O/S Checks Balance	Overnight Repo	Balance Not On Deposit 06-30-08	FDIC or Other Insurance	Not Insured By FDIC	Required Collateral	FMV of Collateral	Pledged Over (Short)
Compass Bank		Operations	Checking	\$ 5,431,428	\$ 54,714	\$ 231,239	\$ 5,580,352	\$ 27,601	\$ 27,601				
		Bond Acquisition	Checking	827		16		843					
		Museum	CD	158,002				158,002	100,000				
		Water Deposit	Checking	65,776		450		66,226	66,226				
				5,656,033	\$ 54,714	\$ 231,705	\$ 5,580,352	\$ 252,672	\$ 194,670	\$ 50,002	\$ 29,001	\$	\$ (29,001)
				6,224									
				\$ 5,662,257									

Petty Cash and Returned Checks
 Total

Repurchase Agreements

Description	Custodian	Maturity	Par	Rate	Market Value	Cusip
FHLB G02454D	Compass Inv. Bank	7/1/2011	\$5,485,814	6.50%	\$ 5,581,816	3128M4BX0 736151BB6
			\$5,485,814		\$ 5,581,816	

Overnight Repurchase Agreements are considered cash equivalents.

The accompanying notes to the basic financial statements are an integral part of this statement.

**Dan Austin CPA, PC
700 Mechem Drive Ste. 15
Ruidoso, NM 88345**

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

Mr. Hector H. Balderas, State Auditor, and
the Honorable Mayor and City Council
City of Ruidoso Downs
Ruidoso Downs, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the respective budgetary comparisons for the major governmental funds and major enterprise funds, and the aggregate remaining fund information of the City of Ruidoso Downs, State of New Mexico (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2008. We also have audited the financial statements of each of the City's nonmajor governmental funds, nonmajor enterprise funds, and the respective budgetary comparisons for the nonmajor governmental funds and nonmajor enterprise funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents, and have issued our report thereon dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Ruidoso Downs's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, finding 07-B, to be a significant deficiency in internal control over financial reporting.

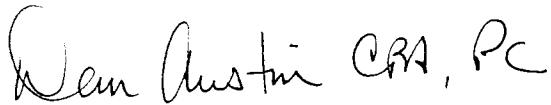
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ruidoso Downs' 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 Audit Standards* which are described in the accompanying schedule of findings and recommendations and responses as item 03-A, 03-B and 03-C.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of City management, the Office of the State Auditor, the State Legislature, the New Mexico Department of Finance and Administration, and Federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Dean Austin, CRA, PC.

November 26, 2008

**CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS AND RECOMMENDATIONS AND RESPONSES

REPORTABLE CONDITIONS:

07-B. Auditor Prepared Financial Statements

Condition: The City does not employ personnel with adequate qualifications and training sufficient enough to prepare the City's financial statements.

Criteria: Per the provisions of Subsection J of 2.2.2.8 NMAC, and SAS 112, insufficient expertise in selecting and applying accounting principles, including the preparation of the City's financial statements, is considered to be a significant deficiency in internal control.

Effect: A significant deficiency in internal control.

Cause: Small cities do not have sufficient resources to employ personnel with adequate qualifications and training sufficient enough to prepare the City's financial statements.

Recommendation: None

Response: None

08-A. Lodger's Tax Audits

Condition: The City failed to conduct audits of in compliance with Lodger's Tax statutes.

Criteria: NMSA 7-1-8 requires entities that assess Lodger's Tax complete audits of vendors on an annual basis.

Effect: Failure to comply with Statute requirements.

Cause: Lack of policy and procedure.

Recommendation: Establish Lodger's Tax Audit Policy

Response: The city will develop a Lodger's Tax Audit Policy and conduct audits in the spring of 2009.

08-B. Deposit Collateral Security

Condition: The City changed its procedure during the current year to purchase overnight investment repos result in the release of pledged collateral. The City subsequently had remaining deposits with the financial institution were in excess of the FDIC insurance amounts.

Criteria: Section 6-10-17, NMSA 1978 requires that all deposits in excess of FDIC be pledged with approved

Effect: Noncompliance with statute.

Cause: The City failed to consider pledging requirements with its changed internal depository procedure.

Recommendation: Require depository to comply with statute requirements.

Response: The City will require its depository bank to provide a letter of credit from the Federal Home Loan Bank to secure all deposits in excess of depository insurance.

**CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

08-C. Personnel Files

Condition: Audit procedures testing for compliance with I-9 and W-4 compliance noted six examples of missing documents from files and the general poor condition of the files.

Criteria: Entities should maintain files to insure all relevant personnel data is maintained to document the employment history

Effect: Files lack minimum documentation

Cause: Lack of policy and procedures relating to this area.

Recommendation: Establish policy developing minimum standard of records to be maintained in the City's personnel files.

Response: The City has hired a new personnel employee will correcting and documenting all personnel according to city policy.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

- 07-A. Collection of Utility Receivables – Resolved
- 07-B. Financial Statement Preparation – Repeated

FINANCIAL STATEMENT PREPARATION

Although it would be preferable and desirable for the City to prepare its own GAAP-based financial statements, it is felt that the City's personnel have neither the time nor the expertise to prepare them. Therefore the outside auditor prepared the GAAP-based financial statements and footnotes for inclusion in the annual audit report, however, the responsibility for the content of the report remains with the City's management.

EXIT CONFERENCE

The exit conference was held at Ruidoso Downs City Hall on November 26, 2008. Present were Mayor Tom Armstrong, City Clerk Carol Virden, City Finance Manager Terri Mosley, and Dan Austin, CPA representing the audit firm. Reportable conditions were discussed as well as other recommendations.