

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2011**

Dan Austin CPA, PC
Certified Public Accountant

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
OFFICIAL ROSTER
June 30, 2011**

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
TERRI MOSELY.....	Finance Director

**State of New Mexico
City of Ruidoso Downs
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June 30, 2011**

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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, 2011, 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, 2011, 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, 2011, 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, 2011, 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 21, 2011, 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 Deposits and Pledged Collateral Under State Requirements, and the Schedule of Federal Awards 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.

Dem Austin CPA, PC

November 21, 2011

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

The City's total net assets increased by \$3,589,525 compared to the prior year. The significant reasons for this increase were the receipt of a capital grant to fund improvements to the Regional Waste Water Treatment plan in the amount of \$2,900,000 and related legislative appropriations in the amount of \$1,085,000. These grants were accounted for in the Water/Sewer Proprietary Fund.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,548,876, an decrease of \$401,859 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, 2011 and 2010. 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	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current assets	\$ 2,729,253	\$ 3,402,033	\$ 1,523,149	\$ 1,956,739	\$ 4,252,402	\$ 5,358,772
Capital assets	10,197,642	10,316,454	5,950,429	6,130,636	16,148,071	16,447,090
Other noncurrent assets	-	-	4,825,684	3,660,631	4,825,684	3,660,631
Total assets	<u>\$ 12,926,895</u>	<u>\$ 13,718,487</u>	<u>\$ 12,299,262</u>	<u>\$ 11,748,006</u>	<u>\$ 25,226,157</u>	<u>\$ 25,466,493</u>
Liabilities						
Current liabilities	\$ 859,350	\$ 998,151	\$ 84,835	\$ 85,631	\$ 944,185	\$ 1,083,782
Noncurrent liabilities	1,241,946	1,317,794	436,885	451,000	1,678,831	1,768,794
Total liabilities	<u>2,101,296</u>	<u>2,315,945</u>	<u>521,720</u>	<u>536,631</u>	<u>2,623,016</u>	<u>2,852,576</u>
Net Assets						
Invested in capital assets, net of related debt	10,165,866	10,255,108	5,499,429	5,769,634	15,665,295	16,024,742
Restricted	100,574	72	691,664	1,112,893	792,238	1,112,965
Unrestricted	559,159	1,147,362	5,586,449	4,328,848	6,145,608	5,476,210
Total net assets	<u>10,825,599</u>	<u>11,402,542</u>	<u>11,777,542</u>	<u>11,211,375</u>	<u>22,603,141</u>	<u>22,613,917</u>
Total Liabilities and net assets	<u>\$ 12,926,895</u>	<u>\$ 13,718,487</u>	<u>\$ 12,299,262</u>	<u>\$ 11,748,006</u>	<u>\$ 25,226,157</u>	<u>\$ 25,466,493</u>

Statement of Activities: The following represents the revenues and expenses for fiscal years June 30, 2011 and 2010. See page 13 for a more detailed look at the Statement of Activities. As stated earlier, the City received capital grants in the Business Type activities resulting in an increase in the net assets of \$3,913,361. The government type activities resulted in a net decrease in net assets of \$323,836.

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

	Government Activities		Business-Type Activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues:						
Charges for services	\$ 78,383	\$ 23,299	\$ 1,031,235	\$ 972,722	\$ 1,109,618	\$ 996,02
Operating grants	2,047,466	1,687,451	59,460	-	2,106,926	1,687,45
Capital grants	-	199,757	584,866	3,921,329	584,866	4,121,08
General revenues:						
Taxes	2,100,253	2,095,011	-	-	2,100,253	2,095,01
Contributions received	-	470,138	-	-	-	470,13
Other	18,469	231,409	-	-	18,469	231,4C
Total revenues	<u>4,244,571</u>	<u>4,707,065</u>	<u>1,675,561</u>	<u>4,894,051</u>	<u>5,920,132</u>	<u>9,601,11</u>
Expenses:						
General Government	\$ 1,548,308	\$ 1,531,924	\$ -	\$ -	\$ 1,548,308	\$ 1,531,92
Public safety	1,405,216	1,424,796	-	-	1,405,216	1,424,79
Highways and Streets	586,363	613,153	-	-	586,363	613,15
Culture and recreation	958,009	1,126,496	-	-	958,009	1,126,49
Other	122,530	130,279	-	-	122,530	130,27
Interest on Long-term debt	61,734	52,169	-	-	61,734	52,16
Joint water and sewer	-	-	989,507	868,738	989,507	868,73
Sanitation	-	-	259,241	264,036	259,241	264,03
Total Expense	<u>4,682,160</u>	<u>4,878,817</u>	<u>1,248,748</u>	<u>1,132,774</u>	<u>5,930,908</u>	<u>6,011,59</u>
Net Assets						
Increase in net assets before transfers	(437,589)	(171,752)	426,813	3,761,277	(10,776)	3,589,52
Transfers	(139,354)	(152,084)	139,354	152,084	-	-
Restatements	-	-	-	-	-	-
Net assets-beginning	<u>11,402,542</u>	<u>11,726,378</u>	<u>11,211,375</u>	<u>7,298,014</u>	<u>22,613,917</u>	<u>19,024,39</u>
Net assets-ending	<u>\$ 10,825,599</u>	<u>\$ 11,402,542</u>	<u>\$ 11,777,542</u>	<u>\$ 11,211,375</u>	<u>\$ 22,603,141</u>	<u>\$ 22,613,91</u>

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 \$2,035,352, reflecting an decrease in fund balance of \$513,544. Of this amount, \$100,574 is restricted for debt service, see the balance sheet on page 14 for further detail. The most significant changes for the City's governmental funds was the decrease in fund balance of the General Fund of \$74,913 and \$ 396,995 decrease in the Museum Fund, See pages 14 and 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 \$566,167 for the year. The primary reason for the increase was due to the receipt of grants for capital improvement projects in the amount of \$ 584,866. See pages 20 and 21 for further detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, General Fund expenditures and transfers were more than revenues in the amount of \$106,114. The City's General Fund expenditures amounted to \$2,935,567 and transfers totaled \$137,251 for the year ended June 30, 2011 was 2.6% percent decrease from the previous years' budget due mostly to planned decreases in general fund operating expenditures. The current final budget revenues decreased over the original budget due largely to a decrease in 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, 2011 amounts to \$16,148,071 (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 \$1,715,66 including current portion. The city added not new debt during the current year. Capital leases outstanding as of June 30, 2011 was \$36,177.

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, 2012 is expected to remain static as efforts to control expenses are offset by expected level or slightly increased revenues as the stressed national economy begins to rebound.

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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 2,063,913	\$ 1,352,655	\$ 3,416,568
Receivables	620,965	162,012	782,977
Inventory	44,375	8,482	52,857
Other	-	-	-
Total Current Assets	<u>2,729,253</u>	<u>1,523,149</u>	<u>4,252,402</u>
Noncurrent Assets			
Restricted Assets (Cash)	-	68,556	68,556
Invested In Waste Water Treatment Plant	-	4,757,128	4,757,128
Net Capital Assets	<u>10,197,642</u>	<u>5,950,429</u>	<u>16,148,071</u>
Total Noncurrent Assets	<u>10,197,642</u>	<u>10,776,113</u>	<u>20,973,755</u>
Total Assets	<u>\$ 12,926,895</u>	<u>\$ 12,299,262</u>	<u>\$ 25,226,157</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 12,312	\$ 4,151	\$ 16,463
Accrued Payroll And Benefits	74,352	7,559	81,911
Accrued Compensated Absences	96,982	8,806	105,788
Interest Payable	21,219	450	21,669
Deferred Revenue	600,000	-	600,000
Current Portion Of Long Term Debt	40,000	14,116	54,116
Current Portion Of Capital Leases	14,485	-	14,485
Customer Deposits	-	49,753	49,753
Total Current Liabilities	<u>859,350</u>	<u>84,835</u>	<u>944,185</u>
Noncurrent Liabilities			
Leases Payable	17,291	-	17,291
Bonds Payable	1,252,000	329,001	1,581,001
Notes Payable	-	107,884	107,884
Unamortized Bond Premium	<u>(27,345)</u>	<u>-</u>	<u>(27,345)</u>
Total Noncurrent Liabilities	<u>1,241,946</u>	<u>436,885</u>	<u>1,678,831</u>
Total Liabilities	<u>2,101,296</u>	<u>521,720</u>	<u>2,623,016</u>
Net Assets			
Invested In Capital Assets, Net of Related Debt	10,165,866	5,499,429	15,665,295
Restricted For:			
Capital Projects	-	691,664	691,664
Debt Service	100,574	-	100,574
Unrestricted	<u>559,159</u>	<u>5,586,449</u>	<u>6,145,608</u>
Total Net Assets	<u>10,825,599</u>	<u>11,777,542</u>	<u>22,603,141</u>
Total Liabilities And Net Assets	<u>\$ 12,926,895</u>	<u>\$ 12,299,262</u>	<u>\$ 25,226,157</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, 2011

	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	\$ 1,548,308	\$ 4,141	\$ 1,579,400	\$ -	\$ 35,233	\$ -	\$ 35,233
Public Safety	1,405,216	74,242	133,696	-	(1,197,278)	-	(1,197,278)
Highways and Streets	586,363	-	-	-	(586,363)	-	(586,363)
Culture And Recreation	958,009	-	334,370	-	(623,639)	-	(623,639)
Other	122,530	-	-	-	(122,530)	-	(122,530)
Interest On Long-Term Debt	61,734	-	-	-	(61,734)	-	(61,734)
Total Governmental Activities	4,682,160	78,383	2,047,466	-	(2,556,311)	-	(2,556,311)
Business-Type Activities:							
Joint Water And Sewer Sanitation	989,507	784,646	59,460	584,866	-	439,465	439,465
Total Business-Type Activities	259,241	246,589	-	-	-	(12,652)	(12,652)
	1,248,748	1,031,235	59,460	584,866	-	426,813	426,813
Total Primary Government	\$ 5,930,908	\$ 1,109,618	\$ 2,106,926	\$ 584,866	(2,556,311)	426,813	(2,129,498)
General Revenues:							
Taxes					2,100,253	-	2,100,253
Licenses And Permits					16,762	-	16,762
Interest					1,707	-	1,707
Interfund Transfers					(139,354)	139,354	-
Total General Revenues					1,979,368	139,354	2,118,722
Change In Net Assets					(576,943)	566,167	(10,776)
Net Assets - Beginning					11,402,542	11,211,375	22,613,917
Net Assets - Ending					\$ 10,825,599	\$ 11,777,542	\$ 22,603,141

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

State of New Mexico
City of Ruidoso Downs
Balance Sheet - Government Funds
June 30, 2011

	General Fund	Special Revenue Museum Fund	Debt Funds	Other Governmental Funds	Totals Governmental Funds
Assets					
Cash	\$ 1,245,528	\$ 342,134	\$ 100,574	\$ 375,677	\$ 2,063,913
Taxes Receivable	466,855	-	2,384	42,564	511,803
Grants Receivable	-	-	-	109,162	109,162
Due from Other Funds	106,544	-	-	-	106,544
Inventory	-	44,375	-	-	44,375
Total Assets	\$ 1,818,927	\$ 386,509	\$ 102,958	\$ 527,403	\$ 2,835,797
Liabilities					
Accounts Payable	\$ 8,225	\$ 3,637	\$ -	\$ 450	\$ 12,312
Accrued Payroll And Benefits	54,915	13,818	-	5,619	74,352
Due to Other Funds	-	-	-	106,544	106,544
Deferred Revenue	4,873	600,000	2,384	-	607,257
Total Liabilities	68,013	617,455	2,384	112,613	800,465
Fund Balances					
Restricted For:					
General Fund	-	-	-	-	-
Special Revenue	-	(230,946)	-	414,790	183,844
Capital Projects	-	-	-	-	-
Debt Service	-	-	100,574	-	100,574
Unassigned For:					
General Fund	1,750,914	-	-	-	1,750,914
Total Fund Balances	1,750,914	(230,946)	100,574	414,790	2,035,332
Total Liabilities And Fund Balances	\$ 1,818,927	\$ 386,509	\$ 102,958	\$ 527,403	\$ 2,835,797

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, 2011

Total Governmental Fund Balance	\$ 2,035,332
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.	10,197,642
Deferred property tax revenue on governmental funds is recognized as current income on government wide statements	7,257
Compensated absences payable not reported as liabilities on the governmental fund statements	(96,982)
Interest payable not reported as a liability on the governmental fund statements	(21,219)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,296,431)</u>
Net Assets of Governmental Activities	<u>\$ 10,825,599</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, 2011

	General Fund	Special Revenue Museum Fund	Debt Service Fund	Other Governmental Funds	Totals Governmental Funds
Revenues					
Taxes	\$ 1,559,536	\$ -	\$ 130,596	\$ 412,246	\$ 2,102,378
Licenses And Permits	16,762	-	-	-	16,762
Intergovernmental	1,225,315	4,149	-	337,789	1,567,253
Charges For Services	4,141	-	-	-	4,141
Fines And Forfeitures	65,264	-	-	8,978	74,242
Interest	-	1,707	-	-	1,707
Contributions and Sales	-	334,370	-	-	334,370
Miscellaneous	117,004	-	-	28,839	145,843
Total Revenues	2,988,022	340,226	130,596	787,852	4,246,696
Expenditures					
General Government	1,149,916	-	4,581	315,340	1,469,837
Public Safety	1,045,978	-	-	293,896	1,339,874
Highway And Streets	513,179	-	-	-	513,179
Culture And Recreation	142,657	729,187	-	41,732	913,576
Other	73,953	-	-	-	73,953
Capital Outlay	-	97,458	-	93,677	191,135
Capitalized Leases	-	-	-	32,762	32,762
Debt Service-Principal	-	-	36,000	-	36,000
-Interest	-	-	49,989	581	50,570
-Debt Origination	-	-	-	-	-
Total Expenditures	2,925,683	826,645	90,570	777,988	4,620,886
Excess (Deficiency) Of Revenues Over Expenditures	62,339	(486,419)	40,026	9,864	(374,190)
Other Financing Sources (Uses):					
Operating Transfers, Net	(137,252)	89,424	-	(91,526)	(139,354)
Total Other Financing Sources (Uses)	(137,252)	89,424	-	(91,526)	(139,354)
Net Change In Fund Balances	(74,913)	(396,995)	40,026	(81,662)	(513,544)
Fund Balance (Deficit)					
At Beginning Of Year	1,825,827	166,049	60,548	496,452	2,548,876
Fund Balance (Deficit) At End Of Year	\$ 1,750,914	\$ (230,946)	\$ 100,574	\$ 414,790	\$ 2,035,332

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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (513,544)

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	\$ 142,558	
Depreciation Expense	<u>(261,370)</u>	(118,812)

Property taxes recorded as deferred revenue on the governmental funds are recognized as current revenue on the government wide statements		(2,125)
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Net change in compensated absences payable for governmental funds		(60)
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Interest payable		(3,245)
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Repayment of bond and Capital Lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The following is a summary of those payments:

Principal payments on Capital Leases	\$ 26,570	
Principal payments on Bonds Payable	<u>36,000</u>	62,570

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:

Origination amortization		<u>(1,727)</u>
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Change in Net Assets of Governmental Activities		<u>\$ (576,943)</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 Revenues, Expenditures and Changes in Fund Balance -
Budgeted to Actual (Non-GAAP Budgetary Basis) - General Fund
For The Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Taxes	\$ 1,685,489	\$ 1,685,686	\$ 1,538,257	\$ (147,429)
Licenses And Permits	14,040	18,166	16,762	(1,404)
Intergovernmental	1,381,511	1,382,678	1,225,315	(157,363)
Charges For Services	3,569	4,641	4,141	(500)
Fines	80,743	80,843	65,264	(15,579)
Other	50,289	121,478	116,965	(4,513)
Total Revenue	3,215,641	3,293,492	2,966,704	\$ (326,788)
Budgeted Cash Balance	1,354,128	1,354,125		
Total Revenue And Cash	\$ 4,569,769	\$ 4,647,617		
EXPENDITURES				
Current				
General Government	1,244,459	1,284,701	1,163,910	120,791
Public Safety	1,210,930	1,221,552	1,045,405	176,147
Highways And Streets	549,481	550,300	510,015	40,285
Culture And Recreation	174,242	174,734	142,283	32,451
Other	66,000	79,496	73,954	5,542
Total Expenditures	3,245,112	3,310,783	2,935,567	375,216
OTHER FINANCING SOURCES (USES)				
Operating Transfers (Net)	(134,763)	(137,251)	(137,251)	-
Total Expenditures And Other Financing Sources	\$ 3,379,875	\$ 3,448,034	3,072,818	\$ 375,216
Total Revenues (Expenditures and Other Financing Sources and Uses)			(106,114)	
Reconciliation to GAAP Basis				
Changes in Receivables			19,858	
Changes in Accounts Payable			9,645	
Changes in Deferred Income			1,420	
Changes in Accrued Payroll			199	
Changes in Other Payables			79	
Excess (Deficiency) of Revenues over expenditures			\$ (74,913)	

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Charges For Services	\$ 266,000	\$ 333,975	\$ 183,290	\$ (150,685)
Intergovernmental	193,000	101,607	4,149	(97,458)
Contributions and Sales	430,000	151,500	151,080	(420)
Investment Income	<u>25,000</u>	<u>3,500</u>	<u>1,707</u>	<u>(1,793)</u>
 Total Revenue	 914,000	 590,582	 <u>340,226</u>	 <u>\$ (250,356)</u>
 Budgeted Cash Balance	 <u>640,184</u>	 <u>640,184</u>		
 Total Revenue And Cash	 <u>\$ 1,554,184</u>	 <u>\$ 1,230,766</u>		
EXPENDITURES				
Current				
Personnel Services and Benefits	536,105	520,902	505,048	15,854
Operating Expenses	315,526	313,610	238,830	74,780
Capital Outlay	<u>-</u>	<u>97,548</u>	<u>24,511</u>	<u>73,037</u>
 Total Expenditures	 851,631	 932,060	 768,389	 163,671
OTHER FINANCING SOURCES (USES)				
Operating Transfers (Net)	<u>-</u>	<u>89,424</u>	<u>89,424</u>	<u>89,424</u>
 Total Expenditures And Other Financing Sources	 <u>\$ 851,631</u>	 <u>\$ 842,636</u>	 <u>678,965</u>	 <u>\$ 74,247</u>
 Total Revenues (Expenditures and Other Financing Sources and Uses)			 (338,739)	
 Reconciliation to GAAP Basis				
Changes in Inventory			(56,407)	
Changes in Accounts Payable			(1,540)	
Changes in Accrued Payroll			<u>(309)</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (396,995)</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 Fund
June 30, 2011

	Business-Type Activities		
	Joint Water and Sewer	Sanitation	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,317,233	\$ 35,422	\$ 1,352,655
Restricted Cash	68,556	-	68,556
Customer Accounts Receivable, Net of Allowance For Doubtful Accounts	135,169	26,843	162,012
Taxes Receivable	-	-	-
Inventory	<u>8,482</u>	<u>-</u>	<u>8,482</u>
Total Current Assets	1,529,440	62,265	1,591,705
NONCURRENT ASSETS			
Net Capital Assets	5,950,429	-	5,950,429
Investment in Waste Water Treatment Plant	<u>4,757,128</u>	<u>-</u>	<u>4,757,128</u>
Total Assets	<u>\$ 12,236,997</u>	<u>\$ 62,265</u>	<u>\$ 12,299,262</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 4,151	\$ -	\$ 4,151
Accrued Payroll Expense	7,559	-	7,559
Accrued Compensated Absences	8,806	-	8,806
Current Portion Of Revenue Bonds Payable	7,000	-	7,000
Current Portion Of Notes Payable	7,116	-	7,116
Accrued Interest Payable	450	-	450
Customer Deposits	<u>49,753</u>	<u>-</u>	<u>49,753</u>
Total Current Liabilities	<u>84,835</u>	<u>-</u>	<u>84,835</u>
NONCURRENT LIABILITIES			
Revenue Bonds Payable	329,001	-	329,001
Notes Payable	<u>107,884</u>	<u>-</u>	<u>107,884</u>
Total Noncurrent Liabilities	<u>436,885</u>	<u>-</u>	<u>436,885</u>
Total Liabilities	<u>521,720</u>	<u>-</u>	<u>521,720</u>
NET ASSETS			
Invested In Capital Assets, Net Of Related Debt Restricted For:	5,499,429	-	5,499,429
Capital Projects	691,664	-	691,664
Unrestricted	<u>5,524,184</u>	<u>62,265</u>	<u>5,586,449</u>
Total Net Assets	<u>11,715,277</u>	<u>62,265</u>	<u>11,777,542</u>
Total Liabilities And Net Assets	<u>\$ 12,236,997</u>	<u>\$ 62,265</u>	<u>\$ 12,299,262</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, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended June 30, 2011

	<u>Business-Type Activities</u>		
	<u>Joint Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
OPERATING REVENUES			
Charges For Services	\$ 784,646	\$ 246,589	\$ 1,031,235
Total Operating Revenues	<u>784,646</u>	<u>246,589</u>	<u>1,031,235</u>
OPERATING EXPENSES			
Personal Services	313,927	-	313,927
Operations And Maintenance	478,491	259,241	737,732
Depreciation	179,916	-	179,916
Total Operating Expenses	<u>972,334</u>	<u>259,241</u>	<u>1,231,575</u>
OPERATING INCOME	<u>(187,688)</u>	<u>(12,652)</u>	<u>(200,340)</u>
NON-OPERATING REVENUES (EXPENSES)			
Miscellaneous	59,460	-	59,460
Federal Grants	584,866	-	584,866
Interest Expense	(17,173)	-	(17,173)
Total Nonoperating Items	<u>627,153</u>	<u>-</u>	<u>627,153</u>
INCOME (LOSS) BEFORE TRANSFERS	439,465	(12,652)	426,813
TRANSFERS IN (OUT)	<u>113,354</u>	<u>26,000</u>	<u>139,354</u>
Change In Net Assets	552,819	13,348	566,167
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>11,162,458</u>	<u>48,917</u>	<u>11,211,375</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 11,715,277</u>	<u>\$ 62,265</u>	<u>\$ 11,777,542</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, 2011

	Business-Type Activities		
	Joint Water and Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received From Customers	\$ 787,966	\$ 245,772	\$ 1,033,738
Cash Paid To Suppliers	(466,736)	(259,241)	(725,977)
Cash Paid To Employees	(318,095)	-	(318,095)
Net Cash Provided By Operating Activities	<u>3,135</u>	<u>(13,469)</u>	<u>(10,334)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Capital Transfers from Other Funds	<u>113,354</u>	<u>26,000</u>	<u>139,354</u>
Net Cash Provided From Noncapital Financing Activities	<u>113,354</u>	<u>26,000</u>	<u>139,354</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid On Capital Debt	(10,000)	-	(10,000)
Capital Grants	584,867	-	584,867
Interest on Capital Debt	(17,173)	-	(17,173)
Proceeds from Debt Acquisition	<u>59,460</u>	<u>-</u>	<u>59,460</u>
Net Cash Used For Capital And Related Financing Activities	<u>617,154</u>	<u>-</u>	<u>617,154</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Capital Assets	-	-	-
Investment in Waste Water Treatment Plant	<u>(1,163,478)</u>	<u>-</u>	<u>(1,163,478)</u>
Net Cash Provided From Investing Activities	<u>(1,163,478)</u>	<u>-</u>	<u>(1,163,478)</u>
Net Increase In Cash	(429,835)	12,531	(417,304)
Cash and Cash Equivalents - Beginning Of Year	<u>1,815,624</u>	<u>22,891</u>	<u>1,838,515</u>
Cash and Cash Equivalents - End Of Year	<u>\$ 1,385,789</u>	<u>\$ 35,422</u>	<u>\$ 1,421,211</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (187,688)	\$ (12,652)	\$ (200,340)
Noncash Items In Net Income-Depreciation	180,207	-	180,207
(Increase) Decrease In:	-	-	-
Accounts Receivable	3,320	(817)	2,503
Inventory	1,750	-	1,750
Increase (Decrease) In:	-	-	-
Accounts Payable	1,378	-	1,378
Accrued Payroll And Benefits	<u>4,168</u>	<u>-</u>	<u>4,168</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 3,135</u>	<u>\$ (13,469)</u>	<u>\$ (10,334)</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, 2011**

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, 2011**

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, 2011**

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 may be 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, 2011**

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, 2011

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 and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of the following components – **net assets invested in capital assets** net of related debt, which is the cost of capital assets, net of accumulated depreciation, **committed fund balance** represents amounts that are useable only for specified purposes by formal action of the government's highest level of authority nets assets, **assigned fund balance** represents amounts that are intended to be used for a specific purpose but are neither restricted or committed, **restricted fund balance or net assets** - wherein the constraints are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation and **unassigned fund balance** is the residual classification for the general fund and represents the amounts that have not been assigned to other funds and **unrestricted net assets** in the government wide financial statements is the unclassified net assets .

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.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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.

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, 2011.

NOTE 3. CASH AND CASH EQUIVALENTS

The City's policy is to limit cash deposits to insured and/or collateralized demand deposit accounts, certificates of deposit. All bank balances or deposits as of the balance sheet date were insured (The Dodd Frank Act of 2010 required the FDIC to insure all non-interest bearing accounts until December 31, 2012) or collateralized with an irrevocable standby letter of credit issued to the City in accordance with state statutes. The carrying amount of City's deposits with financial institutions was \$3,483,824 and the bank balances were \$3,581,085.

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 irrevocable letter issued by a 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, 2011, none of the \$3,581,085 of the City's bank balance was exposed to custodial credit risk as follows:

	<u>In Banks</u>
Total Deposits at Depository or Invested	\$ 3,581,085
Less: FDIC Insurance	<u>(3,581,085)</u>
Uninsured public funds	-
Letter of Credit Coverage	(5,500,000)
Pledged collateral held by depository trust department but not in City's name	<u>-</u>
Uninsured and uncollateralized	<u>\$ (5,500,000)</u>

See page 66 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, 2011 is \$105,788 (governmental funds \$96,982 and business-type funds \$8,806).

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	\$ 96,922	\$ 75,854	\$ 75,794	\$ 96,982	\$ 96,982
Business Type Activities	<u>4,114</u>	<u>12,225</u>	<u>7,533</u>	<u>8,806</u>	<u>8,806</u>
	<u>\$ 101,036</u>	<u>\$ 88,079</u>	<u>\$ 83,327</u>	<u>\$ 105,788</u>	<u>\$ 105,788</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, 2011

NOTE 5. LONG-TERM DEBT

Long-term debt transactions are as follows:

	Balance 6/30/10	Additions	(Reductions)	Balance 6/30/11	Due Within One Year
Government Activities:					
3.45 to 4.28% Note payable to New Mexico					
Finance Authority payable in various annual Principle amounts, maturing August, 2027	\$ 1,328,000	\$ -	\$ (36,000)	\$ 1,292,000	\$ 36,000
Total Long-Term Obligations	\$ 1,328,000	\$ -	\$ (36,000)	\$ 1,292,000	\$ 36,000
Business Type Activities:					
4.75% Revenue Bond, payable to USDA Rural Development in various annual principle amounts plus accrued interest, maturing June, 2038					
	\$ 343,001	\$ -	\$ (7,000)	\$ 336,001	\$ 7,000
2% Note, payable to the NM Environment Depart. to Fund Improvements to the Regional Waste Water treatment. Secured by ERGT Revenues. Matures 6/2029.					
	100,000	-	-	100,000	-
5% Note Payable, held by GE Capital, Payable in annual payments of \$3,000, plus interest due in June 2015.					
	18,000	-	(3,000)	15,000	3,000
	461,001	-	(10,000)	451,001	10,000
Total Long-Term Obligations	\$ 1,789,001	\$ -	\$ (46,000)	\$ 1,743,001	\$ 46,000
				Unamortized Origination Costs	(27,345)
				Net Long-term Debt	\$ 1,715,656

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, 2011, is as follows:

	Principal	Interest	Total
2012	\$ 54,116	\$ 66,970	\$ 121,086
2013	57,198	65,002	122,200
2014	62,282	62,895	125,177
2015	68,368	60,327	128,695
2016	67,455	58,001	125,456
2017-2021	414,647	244,508	659,155
2022-2026	565,109	143,785	708,894
2027-2031	339,826	49,372	389,198
2031-2035	95,000	18,525	113,525
2036-2037	19,000	903	19,903
Total	\$ 1,743,001	\$ 770,288	\$ 2,513,289

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011:

Leases Payable at June 30, 2010	\$ 58,346
New leases acquired	-
Lease payments made	<u>(26,569)</u>
Leases Payable at June 30, 2011	<u>\$ 31,777</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, 2011.

Year Ending June 30	
2012	\$ 16,381
2013	<u>16,381</u>
Minimum Lease Payments	32,762
Less: Amount representing interest	<u>(985)</u>
Present Value of minimum lease payments	<u>\$ 31,777</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 \$217,640.

The City received an federal capital grant in the amount of \$2,900,000 passed through the New Mexico Environment Department in addition to \$1,085,731 in legislative appropriations to fund improvements to the regional waste water treatment plant. The City has capitalized the investment in the facility in the joint Water and Sewer Proprietary Fund. The total investment to date is \$4,757,128.

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, 2011**

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 \$59,793 to the Authority for Environmental Gross Receipt Tax during the current year.

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 \$13,881 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 from 7% to 9.15% percent of their gross salary. The City is required to contribute 18.5% of gross salary for police and 8% fire department employees and 9.15% 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, 2011**

PERA for the years ending June 30, 2011, 2010, and 2009 were \$204,467, \$194,930, and \$136,293, respectively, equal to the amount of the required contributions for each year.

NOTE 12. DEFICIT FUND BALANCE

The City's Museum - Special Revenue Fund had deficit fund balance at June 30, 2011 of \$230,946. The City's Lincoln County Transit Fund had a deficit fund balance at June 30, 2011 of \$5,647.

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, 2011, 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		\$ (137,252)
	Museum	89,424
	Lincoln Co Transit	72,544
	Street Improvement	53,496
Gas Tax		(13,520)
	FEMA Fund	94,391
Lodger's Tax		(129,574)
Street Improvement		(233,120)
	Colinas Grant Fund	64,257
	Water/Sewer/Sanitaiton	<u>139,354</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, 2011

NOTE 16. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance 6/30/10	Additions	(Reductions)	Balance 6/30/11
Government Activities:				
Capital Assets not being Depreciated				
Land	\$ 226,634	\$ -	\$ -	\$ 226,634
Museum artifacts and collectibles	5,501,635	-	-	5,501,635
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	2,931,064	-	-	2,931,064
Streets and other infrastructure	2,196,064	142,588	-	2,338,652
Equipment	1,990,689	-	-	1,990,689
Total capital assets being depreciated	<u>7,117,817</u>	<u>142,588</u>	<u>-</u>	<u>7,260,405</u>
Less: accumulated depreciation for				
Buildings and improvements	630,273	59,670	-	689,943
Streets and other infrastructure	123,694	18,250	-	141,944
Equipment	1,775,665	183,450	-	1,959,115
Total accumulated depreciation	<u>2,529,632</u>	<u>261,370</u>	<u>-</u>	<u>2,791,002</u>
Total capital assets being depreciated, net	<u>4,588,185</u>	<u>(118,782)</u>	<u>-</u>	<u>4,469,403</u>
Government activity capital assets, net	<u>\$ 10,316,454</u>	<u>\$ (118,782)</u>	<u>\$ -</u>	<u>\$ 10,197,672</u>
Business Type Activities:				
Capital Assets not being Depreciated				
Land and Water Rights	\$ 1,014,374	\$ -	\$ -	\$ 1,014,374
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>1,014,374</u>	<u>-</u>	<u>-</u>	<u>1,014,374</u>
Capital Assets Being depreciated:				
Buildings and improvements	36,221	-	-	36,221
Distribution Systems	6,376,626	-	-	6,376,626
Equipment	777,102	-	-	777,102
Total capital assets being depreciated	<u>7,189,949</u>	<u>-</u>	<u>-</u>	<u>7,189,949</u>
Less: accumulated depreciation for				
Buildings and improvements	30,439	1,381	-	31,820
Distribution Systems	1,533,844	124,732	-	1,658,576
Equipment	509,695	53,803	-	563,498
Total accumulated depreciation	<u>2,073,978</u>	<u>179,916</u>	<u>-</u>	<u>2,253,894</u>
Total capital assets being depreciated, net	<u>5,115,971</u>	<u>(179,916)</u>	<u>-</u>	<u>4,936,055</u>
Business-type activity capital assets, net	<u>\$ 6,130,345</u>	<u>\$ (179,916)</u>	<u>\$ -</u>	<u>\$ 5,950,429</u>
Governmental activity depreciation was charged to functions as follows:				
General Government	\$ 78,411			
Public Safety	65,342			
Highway and Streets	73,184			
Culture and recreation	44,433			
Total depreciation	<u>\$ 261,370</u>			

State of New Mexico
City of Ruidoso Downs
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash	\$ 375,677	\$ -	\$ 375,677
Tax Receivable	42,564	-	42,564
Grants Receivable	109,162	-	109,162
Due From Other Governments	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 527,403</u>	<u>\$ -</u>	<u>\$ 527,403</u>
Liabilities And Fund Balances			
Liabilities			
Accounts Payable	\$ 450	\$ -	\$ 450
Due to Other Funds	106,544	-	106,544
Accrued Payroll	<u>5,619</u>	<u>-</u>	<u>5,619</u>
Total Liabilities	<u>112,613</u>	<u>-</u>	<u>112,613</u>
Fund Balances			
Reserved For Capital Improvements	-	-	-
Unreserved	<u>414,790</u>	<u>-</u>	<u>414,790</u>
Total Fund Balances	<u>414,790</u>	<u>-</u>	<u>414,790</u>
Total Liabilities And Fund Balances	<u>\$ 527,403</u>	<u>\$ -</u>	<u>\$ 527,403</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, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 412,246	\$ -	\$ 412,246
Intergovernmental	337,789	-	337,789
Charges for Services	-	-	-
Fines And Forfeitures	8,978	-	8,978
Miscellaneous	28,839	-	28,839
Total Revenues	<u>787,852</u>	<u>-</u>	<u>787,852</u>
Expenditures			
General Government	315,340	-	315,340
Public Safety	293,896	-	293,896
Highways And Streets	-	-	-
Culture And Recreation	41,732	-	41,732
Capital Leases	32,762	-	32,762
Capital Outlay	29,348	64,329	93,677
Debt Service	581	-	581
Total Expenditures	<u>713,659</u>	<u>64,329</u>	<u>777,988</u>
Excess Revenues Over (Under) Expenditures	<u>74,193</u>	<u>(64,329)</u>	<u>9,864</u>
Other Financing Sources (Uses):			
Operating Transfers, Net	(155,783)	64,257	(91,526)
Total Other Financing Sources (Uses)	<u>(155,783)</u>	<u>64,257</u>	<u>(91,526)</u>
Net Change In Fund Balances	(81,590)	(72)	(81,662)
Fund Balances At Beginning Of Year	<u>496,380</u>	<u>72</u>	<u>496,452</u>
Fund Balances At End Of Year	<u>\$ 414,790</u>	<u>\$ -</u>	<u>\$ 414,790</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, 2011

GENERAL GOVERNMENT

Legislative	\$ 50,620
Judicial	154,177
Legal	213,311
Finance and Administration	516,475
Planning	179,338
Code Enforcement	<u>49,989</u>
Total General Government	1,163,910

PUBLIC SAFETY

Public Safety	919,199
Fire Department	70,835
Animal Control	<u>55,371</u>
Total Public Safety	1,045,405

CULTURE AND RECREATION

Parks and Recreation	135,268
Senior Citizens	<u>7,015</u>
Total Culture and Recreation	142,283

HIGHWAYS AND STREETS

Street Department	340,582
Mechanical	<u>169,433</u>
Total Highway and Streets	510,015

OTHER

	<u>73,954</u>
Total General Fund Expenditures	<u>\$ 2,935,567</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 Expenditures - By Department
Budgeted to Actual (Non-GAAP Budgetary Basis) -- General Fund
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT				
Legislative	\$ 54,050	\$ 54,397	\$ 50,620	3,777
Judicial	163,305	164,666	154,177	10,489
Legal	264,448	274,963	213,311	61,652
Finance and Administration	523,478	551,203	516,475	34,728
Planning	185,127	185,389	179,338	6,051
Code Enforcement	54,051	54,083	49,989	4,094
Total General Government	<u>1,244,459</u>	<u>1,284,701</u>	<u>1,163,910</u>	<u>120,791</u>
PUBLIC SAFETY				
Public Safety	1,078,257	1,088,233	919,199	169,034
Fire Department	75,914	75,914	70,835	5,079
Animal Control	56,759	57,405	55,371	2,034
Total Public Safety	<u>1,210,930</u>	<u>1,221,552</u>	<u>1,045,405</u>	<u>176,147</u>
CULTURE AND RECREATION				
Parks and Recreation	164,074	164,329	135,268	29,061
Senior Citizens	10,168	10,405	7,015	3,390
Total Culture and Recreation	<u>174,242</u>	<u>174,734</u>	<u>142,283</u>	<u>32,451</u>
HIGHWAYS AND STREETS				
Street Department	349,413	349,941	340,582	9,359
Mechanical	200,068	200,359	169,433	30,926
Total Highway and Streets	<u>549,481</u>	<u>550,300</u>	<u>510,015</u>	<u>40,285</u>
OTHER				
	66,000	79,496	73,954	5,542
Total General Fund Expenditures	<u>\$ 3,245,112</u>	<u>\$ 3,310,783</u>	<u>\$ 2,935,567</u>	<u>\$ 375,216</u>

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

SPECIAL REVENUE FUNDS

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 197

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.

Lincoln Co. Transit Fund - To account for operational funds related to the local transit system. Authorization is by resolution

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.

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

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.

Fire Protection 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.

FEMA Grant Fund – To account for grant funds received from Federal sources. Authorization is by resolution.

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 3-38-15 NMSA 1978.

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.

Major Fund:

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

	Local										Totals			
	Government Correction Fund	Judicial Education Fund	Court Automation Fund	Lincoln Co. Transit Fund	Emergency Medical Services Fund	Street Improvement Fund	Gas Tax Road Fund	Fire Protection Fund	FEIMA Fund	Enforcement Protection Fund		Lodgers Tax Fund	Recreation Fund	Infrastructure Fund
ASSETS														
Cash in Bank	\$ 90,281	\$ 410	\$ 958	\$ 1	\$ 180	\$ 28,901	\$ 2	\$ 9,873	\$ 1	\$ 16,992	\$ 195,130	\$ 8,353	\$ 24,595	\$ 375,677
Taxes Receivable	-	-	-	-	-	-	-	-	-	-	20,671	-	21,893	42,564
Grants Receivable	-	-	-	-	-	106,544	2,618	-	-	-	-	-	-	109,162
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 90,281	\$ 410	\$ 958	\$ 1	\$ 180	\$ 135,445	\$ 2,620	\$ 9,873	\$ 1	\$ 16,992	\$ 215,801	\$ 8,353	\$ 46,488	\$ 527,403
LIABILITIES AND FUND BALANCE														
LIABILITIES														
Accounts Payable	\$ -	\$ -	\$ -	\$ 29	\$ -	\$ -	\$ -	\$ 421	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450
Deferred Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	106,544	-	-	-	-	-	-	-	106,544
Accrued Payroll Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	5,619
Total Liabilities	-	-	-	5,648	-	106,544	-	421	-	-	-	-	-	112,613
FUND BALANCE														
Designated	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	90,281	410	958	(5,647)	180	28,901	2,620	9,452	1	16,992	215,801	8,353	46,488	414,790
Total Fund Balance	90,281	410	958	(5,647)	180	28,901	2,620	9,452	1	16,992	215,801	8,353	46,488	414,790
Total Liabilities And Fund Balance	\$ 90,281	\$ 410	\$ 958	\$ 1	\$ 180	\$ 135,445	\$ 2,620	\$ 9,873	\$ 1	\$ 16,992	\$ 215,801	\$ 8,353	\$ 46,488	\$ 527,403

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, 2011

	Local Government		Judicial		Court		Lincoln Co.		Emergency		Street		Gas Tax		Fire		FEHIA		Law		Lodgers		Recreation		Infrastructure		Totals
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
REVENUES																											
Taxes																											
Intergovernmental	29,843		4,358																								
Charges For Services																											
Fines And Forfeits																											
Other																											
Total Revenues	29,843	4,358	8,978	232,082	5,750	13,660	75,495	50	24,800	173,832	1	219,003	412,246														
EXPENDITURES																											
Current:																											
General Government																											
Public Safety	18,930		4,427		8,995																						
Highways And Streets																											
Culture, Recreation and Promotion																											
Capital Outlay																											
Debt Service																											
Capital Leases																											
Total Expenditures	18,930	4,427	8,995	315,340	9,704	24,595	102,806	168,545	18,004	41,732	1	218,422	713,659														
Excess (Deficiency) Of Revenues Over Expenditures	10,913	(69)	(17)	(83,258)	(3,954)	(24,595)	(27,311)	(168,495)	6,796	132,100	1	218,422	74,193														
OTHER FINANCING SOURCES (USES):																											
Contributions																											
Operating Transfers																											
Total Other Sources																											
NET CHANGE IN FUND BALANCES	10,913	(69)	(17)	(10,714)	(3,954)	28,901	140	(27,311)	6,796	2,526	1	(14,698)	(81,590)														
FUND BALANCE AT BEGINNING OF YEAR	79,368	479	975	5,087	4,134	2,480	36,763	74,105	10,196	219,275	8,352	61,186	496,380														
FUND BALANCE AT END OF YEAR	\$ 90,281	\$ 410	\$ 958	\$ (5,647)	\$ 180	\$ 28,901	\$ 9,452	\$ 46,488	\$ 16,992	\$ 216,801	\$ 8,353	\$ 46,488	\$ 414,790														

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Intergovernmental:	\$ -	\$ -	\$ 29,843	\$ (29,843)
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	-	-	<u>29,843</u>	<u>\$ (29,843)</u>
Budgeted Cash Balance	<u>79,368</u>	<u>79,368</u>		
Total Revenue And Cash	<u>\$ 79,368</u>	<u>\$ 79,368</u>		
EXPENDITURES				
Public Safety	\$ 13,000	\$ 29,843	\$ 18,930	\$ 10,913
Capital Leases	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	13,000	29,843	18,930	10,913
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 13,000</u>	<u>\$ 29,843</u>	<u>18,930</u>	<u>\$ 10,913</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			10,913	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 10,913</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Intergovernmental:	\$ 3,000	\$ 4,358	\$ 4,358	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	3,000	4,358	<u>4,358</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>479</u>	<u>479</u>		
Total Revenue And Cash	<u>\$ 3,479</u>	<u>\$ 4,837</u>		
EXPENDITURES				
Public safety	\$ 3,000	\$ 4,837	\$ 4,427	\$ 410
Capital Leases	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	3,000	4,837	4,427	410
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 3,000</u>	<u>\$ 4,837</u>	<u>4,427</u>	<u>\$ 410</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(69)	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (69)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Fines and Forfeitures	\$ 6,950	\$ 9,078	\$ 8,978	\$ 100
Miscellaneous	-	-	-	-
Total Revenue	6,950	9,078	<u>8,978</u>	<u>\$ 100</u>
Budgeted Cash Balance	-	-		
Total Revenue And Cash	<u>\$ 6,950</u>	<u>\$ 9,078</u>		
EXPENDITURES				
Public Safety	\$ 6,950	\$ 10,153	\$ 8,995	\$ 1,158
Capital Leases	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	6,950	10,153	8,995	1,158
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total Expenditures And Other Financing Sources	<u>\$ 6,950</u>	<u>\$ 10,153</u>	<u>8,995</u>	<u>\$ 1,158</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(17)	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			-	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (17)</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)
Lincoln County Transit Special Revenue Fund
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Intergovernmental	\$ 251,710	\$ 263,880	\$ 203,293	\$ 60,587
Charges for Services	-	-	-	-
Miscellaneous	<u>15,000</u>	<u>28,789</u>	<u>28,789</u>	-
Total Revenue	266,710	292,669	<u>232,082</u>	<u>\$ 60,587</u>
Budgeted Cash Balance	<u>7,593</u>	<u>7,593</u>		
Total Revenue And Cash	<u>\$ 274,303</u>	<u>\$ 300,262</u>		
EXPENDITURES				
General Government	\$ 283,337	\$ 315,832	\$ 312,220	\$ 3,612
Capital Outlay	-	-	-	-
Total Expenditures	283,337	315,832	312,220	3,612
OTHER FINANCING SOURCES (USES)				
Transfers	<u>28,308</u>	<u>75,852</u>	<u>72,544</u>	<u>(3,308)</u>
Total Expenditures And Other Financing Sources	<u>\$ 255,029</u>	<u>\$ 239,980</u>	<u>239,676</u>	<u>\$ 6,920</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(7,594)	
Reconciliation to GAAP Basis				
Changes in Accrued Payroll			(29)	
Changes in Payables			<u>(3,091)</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (10,714)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Intergovernmental	\$ 5,750	\$ 5,750	\$ 5,750	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	5,750	5,750	<u>5,750</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>-</u>	<u>-</u>		
Total Revenue And Cash	<u>\$ 5,750</u>	<u>\$ 5,750</u>		
EXPENDITURES				
Public Safety	\$ 5,750	\$ 9,943	\$ 9,704	\$ 239
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	5,750	9,943	9,704	239
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 5,750</u>	<u>\$ 9,943</u>	<u>9,704</u>	<u>\$ 239</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(3,954)	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (3,954)</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 Improvement Special Revenue Fund
For The Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Intergovernmental	\$ 368,271	\$ 368,271	\$ -	\$ 368,271
Miscellaneous	-	-	-	-
Total Revenue	<u>368,271</u>	<u>368,271</u>	<u>-</u>	<u>\$ 368,271</u>
Budgeted Cash Balance	<u>-</u>	<u>-</u>		
Total Revenue And Cash	<u>\$ 368,271</u>	<u>\$ 368,271</u>		
EXPENDITURES				
Highways and Streets	\$ -	\$ -	\$ -	\$ -
Capital Leases	-	-	-	-
Capital Outlay	<u>65,524</u>	<u>192,215</u>	<u>24,595</u>	<u>167,620</u>
Total Expenditures	65,524	192,215	24,595	167,620
OTHER FINANCING SOURCES (USES)				
Transfers	<u>162,801</u>	<u>70,482</u>	<u>53,496</u>	<u>(16,986)</u>
Total Expenditures And Other Financing Sources	<u>\$ (97,277)</u>	<u>\$ 121,733</u>	<u>(28,901)</u>	<u>\$ 184,606</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			28,901	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			-	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 28,901</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)
Gas Tax Road Special Revenue Fund
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
Taxes	\$ 13,500	\$ 13,612	\$ 13,520	\$ 92
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	13,500	13,612	<u>13,520</u>	<u>\$ 92</u>
Budgeted Cash Balance	<u>2</u>	<u>2</u>		
Total Revenue And Cash	<u>\$ 13,502</u>	<u>\$ 13,614</u>		
EXPENDITURES				
Highways and Streets	\$ -	\$ -	\$ -	\$ -
Capital Leases	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(13,500)</u>	<u>(13,520)</u>	<u>(13,520)</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 13,500</u>	<u>\$ 13,520</u>	<u>13,520</u>	<u>\$ -</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			-	
Reconciliation to GAAP Basis				
Changes in Receivables			140	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 140</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)
Fire Protection Special Revenue fund
For The Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Intergovernmental:	\$ 73,985	\$ 75,492	\$ 75,495	\$ (3)
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	73,985	75,492	<u>75,495</u>	<u>\$ (3)</u>
Budgeted Cash Balance	<u>36,860</u>	<u>36,860</u>		
Total Revenue And Cash	<u>\$ 110,845</u>	<u>\$ 112,352</u>		
EXPENDITURES -				
Public Safety	\$ 56,485	\$ 72,368	\$ 64,967	\$ 7,401
Capital Outlay	16,481	32,762	4,753	28,009
Capital Lease	<u>2,529</u>	<u>7,282</u>	<u>32,762</u>	<u>(25,480)</u>
Total Expenditures	75,495	112,412	102,482	9,930
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 75,495</u>	<u>\$ 112,412</u>	<u>102,482</u>	<u>\$ 9,930</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(26,987)	
Reconciliation to GAAP Basis				
Changes in Receivables			(324)	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (27,311)</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)
FEMA Special Revenue Fund
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Intergovernmental	\$ 48,137	\$ 53,486	\$ -	\$ 53,486
Miscellaneous	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Total Revenue	48,137	53,486	<u>50</u>	<u>\$ 53,536</u>
Budgeted Cash Balance	<u>74,105</u>	<u>74,105</u>		
Total Revenue And Cash	<u>\$ 122,242</u>	<u>\$ 127,591</u>		
EXPENDITURES				
Public Safety	\$ 33,194	\$ 168,740	\$ 168,545	\$ 195
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	33,194	168,740	168,545	195
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>94,391</u>	<u>94,391</u>
Total Expenditures And Other Financing Sources	<u>\$ 33,194</u>	<u>\$ 168,740</u>	<u>74,154</u>	<u>\$ (94,196)</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(74,104)	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			-	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (74,104)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Intergovernmental	\$ 24,800	\$ 24,800	\$ 24,800	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	24,800	24,800	<u>24,800</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>10,196</u>	<u>10,196</u>		
Total Revenue And Cash	<u>\$ 34,996</u>	<u>\$ 34,996</u>		
EXPENDITURES				
Public Safety	\$ 24,800	\$ 27,339	\$ 18,004	\$ 9,335
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	24,800	27,339	18,004	9,335
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 24,800</u>	<u>\$ 27,339</u>	<u>18,004</u>	<u>\$ 9,335</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			6,796	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 6,796</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Taxes	\$ 177,285	\$ 177,285	\$ 169,514	\$ 7,771
Miscellaneous	-	-	-	-
Total Revenue	177,285	177,285	<u>169,514</u>	<u>\$ 7,771</u>
Budgeted Cash Balance	<u>196,922</u>	<u>196,922</u>		
Total Revenue And Cash	<u>\$ 374,207</u>	<u>\$ 374,207</u>		
EXPENDITURES				
Culture, Recreation and Promotion	\$ 58,220	\$ 59,268	\$ 41,732	\$ 17,536
Capital Leases	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	58,220	59,268	41,732	17,536
OTHER FINANCING SOURCES (USES)				
Transfers	<u>135,461</u>	<u>135,461</u>	<u>(129,574)</u>	<u>(265,035)</u>
Total Expenditures And Other Financing Sources	<u>\$ (77,241)</u>	<u>\$ (76,193)</u>	<u>171,306</u>	<u>\$ 282,571</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(1,792)	
Reconciliation to GAAP Basis				
Changes in Receivables			4,318	
Changes in Payables			-	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 2,526</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Taxes	\$ 216	\$ 217	\$ 217	\$ -
Miscellaneous	-	-	-	-
	<u>216</u>	<u>217</u>	<u>217</u>	<u>\$ -</u>
Total Revenue				
Budgeted Cash Balance	<u>8,136</u>	<u>8,136</u>		
Total Revenue And Cash	<u>\$ 8,352</u>	<u>\$ 8,353</u>		
EXPENDITURES				
Culture and Recreation	\$ -	\$ -	\$ -	\$ -
Capital Leases	-	-	-	-
Capital Outlay	-	-	-	-
	<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>
Total Revenues (Expenditures and Other Financing Sources and Uses)			217	
Reconciliation to GAAP Basis				
Changes in Receivables			(216)	
Changes in Payables			-	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 1</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Taxes	\$ 273,506	\$ 273,506	\$ 238,939	\$ 34,567
Miscellaneous	-	-	-	-
Total Revenue	<u>273,506</u>	<u>273,506</u>	<u>238,939</u>	<u>\$ 34,567</u>
Budgeted Cash Balance	<u>19,357</u>	<u>19,357</u>		
Total Revenue And Cash	<u>\$ 292,863</u>	<u>\$ 292,863</u>		
EXPENDITURES				
Operating Expenses	\$ -	\$ -	\$ -	\$ -
Debt Service	6,116	6,116	581	5,535
Capital Outlay	-	-	-	-
Total Expenditures	<u>6,116</u>	<u>6,116</u>	<u>581</u>	<u>5,535</u>
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(267,390)</u>	<u>(267,390)</u>	<u>(233,120)</u>	<u>34,270</u>
Total Expenditures And Other Financing Sources	<u>\$ 273,506</u>	<u>\$ 273,506</u>	<u>233,701</u>	<u>\$ (28,735)</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			5,238	
Reconciliation to GAAP Basis				
Changes in Receivables			(19,936)	
Changes in Payables			-	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (14,698)</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.

State of New Mexico
City of Ruidoso Downs
Combining Balance Sheet
Capital Project Fund
June 30, 2011

	Colonias Grant Fund	Totals
ASSETS		
Cash In Bank	\$ -	\$ -
Grants Receivable	-	-
	<u>-</u>	<u>-</u>
 Total Assets	 <u>\$ -</u>	 <u>\$ -</u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	\$ -	\$ -
	<u>-</u>	<u>-</u>
FUND BALANCE		
Reserved For Capital Improvements	-	-
	<u>-</u>	<u>-</u>
 Total Liabilities And Fund Equity	 <u>\$ -</u>	 <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
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Project Funds
For The Year Ended June 30, 2011

	Colonias Grant Fund	Totals
REVENUES		
Intergovernmental	\$ -	\$ -
Total Revenue	<u>-</u>	<u>-</u>
EXPENDITURES		
General Government	-	-
Capital Outlay	<u>64,330</u>	<u>64,330</u>
Total Expenditures	<u>64,330</u>	<u>64,330</u>
Excess (Deficiency) Of Revenues Over Expenditures	(64,330)	(64,330)
OTHER FINANCING SOURCES (USES)		
Transfers	<u>64,258</u>	<u>64,258</u>
NET CHANGE IN FUND BALANCES	(72)	(72)
FUND BALANCE AT BEGINNING OF YEAR	<u>72</u>	<u>72</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<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)
Colonas Grant Fund - Capital Project Fund
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
CDBG Grant	\$ 472,898	\$ 472,898	\$ -	\$ 472,898
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	472,898	472,898	<u>-</u>	<u>\$ 472,898</u>
Budgeted Cash Balance	<u>72</u>	<u>72</u>		
Total Revenue And Cash	<u>\$ 472,970</u>	<u>\$ 472,970</u>		
EXPENDITURES				
Capital Outlay	\$ 472,898	\$ 472,898	\$ 64,329	\$ 408,569
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	472,898	472,898	64,329	408,569
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>64,258</u>	<u>64,257</u>	<u>(1)</u>
Total Expenditures And Other Financing Sources	<u>\$ 472,898</u>	<u>\$ 408,640</u>	<u>72</u>	<u>\$ 408,570</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(72)	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (72)</u>	

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, 2011

Assets

Cash	\$ 100,574
Taxes Receivable	<u>2,384</u>

Total Assets	<u>\$ 102,958</u>
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Liabilities And Fund Balances

Liabilities

Deferred Revenue	<u>\$ 2,384</u>
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Total Liabilities	<u>2,384</u>
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Fund Balances (Deficit)

Reserved For Debt Service	100,574
Unreserved	<u>-</u>

Total Fund Balances	<u>100,574</u>
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Total Liabilities And Fund Balances	<u>\$ 102,958</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 Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For The Year Ended June 30, 2011

Revenues	
Taxes	\$ 130,596
Interest	-
Miscellaneous	-
Total Revenues	<u>130,596</u>
Expenditures	
Interest	49,989
Principal	36,000
Administration Costs	<u>4,581</u>
Total Expenditures	<u>90,570</u>
Excess Revenues Over (Under) Expenditures	<u>40,026</u>
Other Financing Sources (Uses):	
Operating Transfers, Net	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Net Change In Fund Balances	40,026
Fund Balances At Beginning Of Year	<u>60,548</u>
Fund Balances At End Of Year	<u>\$ 100,574</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
Taxes	\$ 114,573	\$ 130,596	\$ 130,596	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	114,573	130,596	<u>130,596</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>-</u>	<u>-</u>		
Total Revenue And Cash	<u>\$ 114,573</u>	<u>\$ 130,596</u>		
EXPENDITURES				
Debt Service-Interest	\$ 54,518	\$ 54,518	49,989	\$ 4,529
Debt Service -Principal	36,000	36,000	36,000	-
Debt Administration	<u>4,586</u>	<u>4,757</u>	<u>4,581</u>	<u>176</u>
Total Expenditures	95,104	95,275	90,570	4,705
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 95,104</u>	<u>\$ 95,275</u>	<u>90,570</u>	<u>\$ 4,705</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			40,026	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Payables			<u>-</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 40,026</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 Fund
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Sales of Service	\$ 774,312	\$ 795,539	\$ 786,693	\$ 8,846
Deposits Received	2,000	2,000	1,271	729
Federal Grants	2,034,866	584,866	584,866	-
Other	<u>-</u>	<u>95,761</u>	<u>95,761</u>	<u>-</u>
 Total Revenue	 2,811,178	 1,478,166	 <u>1,468,591</u>	 <u>\$ 9,575</u>
 Budgeted Cash Balance	 <u>1,815,624</u>	 <u>1,815,624</u>		
 Total Revenue And Cash	 <u>\$ 4,626,802</u>	 <u>\$ 3,293,790</u>		
EXPENDITURES				
Personnel Services	\$ 315,000	\$ 310,334	\$ 309,757	\$ 577
Operating Expense	534,490	597,073	500,866	96,207
Capital Outlay	2,483,689	2,484,651	1,163,478	1,321,173
Loan Payments	373,781	37,381	37,173	208
Deposit Refunds	<u>2,391</u>	<u>2,391</u>	<u>795</u>	<u>1,596</u>
 Total Expenditures	 3,709,351	 3,431,830	 2,012,069	 1,419,761
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(130,637)</u>	<u>(130,637)</u>	<u>(113,354)</u>	<u>17,283</u>
 Total Expenditures And Other Financing Sources	 <u>\$ 3,839,988</u>	 <u>\$ 3,562,467</u>	 <u>1,898,715</u>	 <u>\$ 1,402,478</u>
 Total Revenues (Expenditures and Other Financing Sources and Uses)			 (430,124)	
Reconciliation to GAAP Basis				
Changes in Receivables			(3,320)	
Changes in Inventory			(1,750)	
Reclass Capital Outlay			1,163,478	
Current Year Depreciation			(179,916)	
Changes in Account Payable			(1,378)	
Reclass Debt Service			10,000	
Changes in Accrued Payroll			524	
Changes in Accrued Compensation			<u>(4,695)</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 552,819</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)
Sanitation Enterprise Fund
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE				
Sales of Service	\$ 246,589	\$ 256,699	\$ 248,097	\$ 8,602
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	246,589	256,699	<u>248,097</u>	<u>\$ 8,602</u>
Budgeted Cash Balance	<u>38,422</u>	<u>38,422</u>		
Total Revenue And Cash	<u>\$ 285,011</u>	<u>\$ 295,121</u>		
EXPENDITURES				
Personnel Services	\$ -	\$ -	\$ -	\$ -
Operating Expense	256,556	279,447	259,241	20,206
Sales Tax	-	-	-	-
Loan Payments	-	-	-	-
Capital Outlay	-	-	-	-
Deposit Refunds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	256,556	279,447	259,241	20,206
OTHER FINANCING SOURCES (USES)				
Transfers	<u>26,000</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 230,556</u>	<u>\$ 253,447</u>	<u>233,241</u>	<u>\$ 20,206</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			14,856	
Reconciliation to GAAP Basis				
Changes in Receivables			(11,967)	
Changes in Payables			<u>10,459</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 13,348</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, 2011

Financial Institution	Account Name	Account Type	Reconciled Balance	O/S Deposits Balance	O/S Checks Balance	Balance Not On Deposit 06-30-11	FDIC or Other Insurance	Not Insured By FDIC	Required Collateral	FMV of Collateral	Pledged Over(Short)
Compass Bank	Operations	Non Int Checking	\$ 3,295,690	\$ 24,588	\$ 121,852	\$ 3,392,954	\$ 3,392,954				
	Museum Credit	Non Int Checking	120,565	-	-	120,565	120,565				
	CDGB Grant	Non Int Checking	110	-	-	110	110				
	Water Deposit	Int Checking	67,459	-	-	67,456	67,456				
			<u>3,483,824</u>	<u>\$ 24,588</u>	<u>\$ 121,852</u>	<u>\$ 3,581,085</u>	<u>\$ 3,581,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Petty Cash and Returned Checks		1,300									
Total		<u>\$ 3,485,124</u>									

Deposit Security

Description	ID #	Issue Date	Amount	Maturity Date
FHLB Atlanta Letter of Credit	196410256635	1/5/2011	\$ 5,500,000	1/5/2012
			<u>\$ 5,500,000</u>	

66 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 Expenditures of Federal Awards
 For the Year Ended June 30, 2011

	<u>CFDA Number</u>	<u>Federal Grantors Number</u>	<u>Federal Expenditures Expenditures</u>
<u>Environmental Protection Agency</u>			
Passed Through the NM Department of Environment Capitalization Grants for Clean Water State Revolving Funds	66.458	AARA CWSRF 02	<u>584,866</u>
Total Federal Financial Assistance			<u>\$ 584,866</u>

Note to Schedule of Expenditures of Federal Awards:

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Ruidoso Downs, New Mexico and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements.

2. Sub-receipts

The City of Ruidoso Downs did not provided any federal awards to sub-receipts during the year.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 584,866
Total expenditures funded by other sources	<u>5,346,042</u>
Total expenditures	<u>\$ 5,930,908</u>

See Independent Auditor's Report

State of New Mexico
City of Ruidoso Downs
Schedule of Legislative Grants
June 30, 2011

Project	Agency	Grant#	Effective Date	Reversion Date	Original Amount	Arts In Public		Exp to Date	Remaining
						Places	Net Amount		
Street Imp	NMDOT	SP-2-08(923)	7/24/2007	12/31/2009	\$ 61,962	\$ -	\$ 61,962	\$ -	\$ 61,962
Street Imp	NMDOT	SP-2-09(976)	7/21/2008	12/31/2009	58,414	-	58,414	-	58,414
Fire Station	DFA	06-L-G-1699	8/31/2007	6/30/2010	41,000	-	39,055	39,055	-
Street Imp	NMDOT	SP-2-10-(925)	9/21/2009	12/31/2010	43,537	-	43,537	-	43,537
Pedestrian Facilities	NMDOT	TPE-0704(1)261	8/1/2007	9/30/2013	213,750	-	213,750	-	213,750
Street Imp	NMDOT	SP-2-10(925)	2/2/2010	12/31/2011	34,145	-	34,145	-	34,145
Street/Drainage Imp	DFA	10-C-RS-I-1-G-3	6/1/2010	6/1/2012	472,898	-	472,898	-	472,898
					<u>\$ 925,706</u>	<u>\$ -</u>	<u>\$ 923,761</u>	<u>\$ 39,055</u>	<u>\$ 884,706</u>

**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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2011. 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, 2011, as listed in the table of contents, and have issued our report thereon dated November 21, 2011. 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 City of Ruidoso Downs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ruidoso Downs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ruidoso Downs' internal control over financial reporting.

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

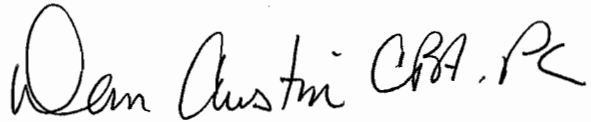
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Recommendations, Responses and Other Disclosures as item 11-A.

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.

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

November 21, 2011

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB - 133**

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

Compliance

We have audited City of Ruidoso Downs's compliance with the types of compliance requirements described in the *OMB A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Ruidoso Downs's major federal programs for the year ended June 30, 2011. The City of Ruidoso Downs's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Ruidoso Downs's management. Our responsibility is to express an opinion on the City of Ruidoso Downs's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ruidoso Downs's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Ruidoso Downs's compliance with those requirements.

In our opinion, the City of Ruidoso Downs, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Ruidoso Downs, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Ruidoso Downs' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ruidoso Downs' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the administration, the Board of Supervisors, the Public Education Department, the Office of the State Auditor, the New Mexico State Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

W. Austin CPA, PC

November 21, 2011

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS, RECOMMENDATIONS, RESPONSES AND OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2011**

SUMMARY OF AUDIT RESULTS

Financial Statements:

1. Type of auditors' report issued Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified? No
 - b. Significant deficiencies identified not considered to be a material weaknesses? Yes
 - c. Noncompliance material to the financial statements noted? No

Federal Awards:

1. Internal control over major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified not considered to be material weaknesses? No
2. Type of auditors' report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No
4. Identification of major programs:

CFDA
Number
Program

Federal

66.458 EPA-Capitalization Grants for clean Water and Revolving Loans

5. Dollar threshold used to distinguish between type A and type B programs: \$300,000
6. Auditee qualified as low-risk auditee? NO

C. FEDERAL AWARD FINDINGS - NONE

FINDINGS AND RECOMMENDATIONS-Financial Audit

Prior Year Findings

- 07 - B. Auditor Prepared Financial Statements - Resolved
- 09 - A. Museum Inventory – Resolved
- 10 - A. Payment of Overtime - Resolved

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS, RECOMMENDATIONS, RESPONSES AND OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2011**

FINDINGS AND RECOMMENDATIONS AND RESPONSES

REPORTABLE CONDITIONS:

11-A. Per Diem and Mileage Act Reimbursement

Criteria: NMAC 2.42.2.11 allows local public bodies to to reimburse mileage accrued in the use of private conveyance at the current established Federal mileage rate.

Condition: The City of Ruidoso Resolution 2009-09 established the rate of reimbursement for employee and officials using their personal vehicles to complete City business. The rate was established at \$.55 per mile which was the allowable Federal rate when the Ordinance was passed. The Federal rate has changed several times since the passing of the Ordinance in 2009. The City has however not changed it's rate thereby paying in excess of the Federal Rate.

Effect: Violation of State Statutes by paying in excess of the established Federal Mileage Rate

Cause: Oversight by Management

Recommendation: Amend the resolution to state the rate paid, will be the established Federal Rate as approved by the Internal Revenue Service.

Response: The City will amend resolution to comply with New Mexico Administrative Code.

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 28, 2011. Present were Mayor Tom Armstrong, City Clerk Carol Virden, City Finance Director Terri Mosley, and Dan Austin, CPA representing the audit firm. Reportable conditions were discussed as well as other recommendations.