

**State of New Mexico
Village of San Jon**

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2010
and Independent Auditors' Report**

STATE OF NEW MEXICO
VILLAGE OF SAN JON

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VILLAGE OF SAN JON

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STATE OF NEW MEXICO
VILLAGE OF SAN JON

DIRECTORY OF OFFICIALS
JUNE 30, 2010

Board of Trustees

Billie Jo Barnes
Leo Thrasher
Janet Garcia
David Musick
Sherry Ford

Mayor
Mayor Pro Tem
Trustee
Trustee
Trustee

Other Officials

Cynthia Lee

Deputy Clerk

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and the Mayor and Village Council of the
Village of San Jon, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of San Jon, New Mexico (the "Village"), as of and for the year ended June 30, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds, and the budgetary comparison for the major capital projects funds and all non major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Village's 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 Village, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds 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 Village as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparisons for the major capital projects funds and nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of the Village's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Village of San Jon has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and the combining and individual financial statements and budgetary comparisons presented as supplemental information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis are not a required part of the financial statements. Such information 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.

White + Sarmiento + Campbell, LLP

El Paso, Texas
November 30, 2010

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 363,147	\$ 83,733	\$ 446,880
Receivables, net of allowance for uncollectibles	<u>19,201</u>	<u>18,007</u>	<u>37,208</u>
Total current assets	382,348	101,740	484,088
Noncurrent assets			
Restricted assets - cash	-	5,135	5,135
Capital assets	3,661,442	3,426,939	7,088,381
Less accumulated depreciation	<u>(1,193,435)</u>	<u>(1,084,269)</u>	<u>(2,277,704)</u>
Total noncurrent assets	<u>2,468,007</u>	<u>2,347,805</u>	<u>4,815,812</u>
Total assets	<u>\$ 2,850,355</u>	<u>\$ 2,449,545</u>	<u>\$ 5,299,900</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 55,170	\$ 3,990	\$ 59,160
Accrued interest	1,629	2,267	3,896
Current portion of long-term debt	<u>42,150</u>	<u>2,776</u>	<u>44,926</u>
Total current liabilities	98,949	9,033	107,982
Long-term liabilities:			
Non-current portion of long-term debt	207,367	194,637	402,004
Compensated absences	1,737	3,051	4,788
Customer deposits	<u>-</u>	<u>5,135</u>	<u>5,135</u>
Total noncurrent liabilities	<u>209,104</u>	<u>202,823</u>	<u>411,927</u>
Total liabilities	<u>308,053</u>	<u>211,856</u>	<u>519,909</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,218,490	2,145,257	4,363,747
Unrestricted	<u>323,812</u>	<u>92,432</u>	<u>416,244</u>
Total net assets	<u>\$ 2,542,302</u>	<u>\$ 2,237,689</u>	<u>\$ 4,779,991</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Program Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 108,549	\$ -	\$ 35,000	\$ -	\$ (73,549)	\$ -	\$ (73,549)
Public safety	167,498	4,680	112,073	613,252	562,507	-	562,507
Public works	58,991	-	-	-	(58,991)	-	(58,991)
Culture and recreation	42,702	-	19,881	-	(22,821)	-	(22,821)
Interest on long-term debt	807	-	-	-	(807)	-	(807)
Total governmental activities	<u>378,547</u>	<u>4,680</u>	<u>166,954</u>	<u>613,252</u>	<u>406,339</u>	<u>-</u>	<u>406,339</u>
Business-type activities:							
Water	102,930	56,300	-	-	-	(46,630)	(46,630)
Wastewater	54,262	25,687	-	-	-	(28,575)	(28,575)
Solid waste	53,160	48,487	-	-	-	(4,673)	(4,673)
Total business-type activities	<u>210,352</u>	<u>130,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,878)</u>	<u>(79,878)</u>
Total primary government	<u>\$ 588,899</u>	<u>\$ 135,154</u>	<u>\$ 166,954</u>	<u>\$ 613,252</u>	<u>406,339</u>	<u>(79,878)</u>	<u>326,461</u>
		General Revenues:					
		Taxes:					
					96,451	22,317	118,768
					1,905	-	1,905
					40,957	-	40,957
					4,372	-	4,372
					8,786	-	8,786
					15,252	589	15,841
					3,821	-	3,821
					(596,388)	596,388	-
					<u>(424,844)</u>	<u>619,294</u>	<u>194,450</u>
					<u>(18,505)</u>	<u>539,416</u>	<u>520,911</u>
					<u>3,845,249</u>	<u>1,169,681</u>	<u>5,014,930</u>
					<u>(1,284,442)</u>	<u>528,592</u>	<u>(755,850)</u>
					<u>2,560,807</u>	<u>1,698,273</u>	<u>4,259,080</u>
					<u>\$ 2,542,302</u>	<u>\$ 2,237,689</u>	<u>\$ 4,779,991</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Fire Fund	Municipal Street Fund	Law Enforcement	Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 209,167	\$ 15,272	\$ 94,262	\$ -	\$ 44,446	\$ 363,147
Receivables, net of allowance for uncollectibles	<u>15,478</u>	<u>-</u>	<u>3,723</u>	<u>-</u>	<u>-</u>	<u>19,201</u>
Total assets	<u>\$ 224,645</u>	<u>\$ 15,272</u>	<u>\$ 97,985</u>	<u>\$ -</u>	<u>\$ 44,446</u>	<u>\$ 382,348</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Current liabilities						
Accounts payable	<u>\$ 254</u>	<u>\$ 57</u>	<u>\$ 790</u>	<u>\$ -</u>	<u>\$ 54,068</u>	<u>\$ 55,169</u>
Total liabilities	<u>254</u>	<u>57</u>	<u>790</u>	<u>-</u>	<u>54,068</u>	<u>55,169</u>
FUND BALANCES:						
Unreserved reported in:						
General fund	224,391	-	-	-	(30,490)	193,901
Special revenue funds	<u>-</u>	<u>15,215</u>	<u>97,195</u>	<u>-</u>	<u>20,868</u>	<u>133,278</u>
Total fund balances	<u>224,391</u>	<u>15,215</u>	<u>97,195</u>	<u>-</u>	<u>(9,622)</u>	<u>327,179</u>
Total liabilities and fund balances	<u>\$ 224,645</u>	<u>\$ 15,272</u>	<u>\$ 97,985</u>	<u>\$ -</u>	<u>\$ 44,446</u>	<u>\$ 382,348</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances for governmental funds	\$ 327,179
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	
The cost of capital assets	3,661,442
Accumulated depreciation	<u>(1,193,436)</u>
Net capital assets	<u>2,468,006</u>
Long-term liabilities and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:	
Notes payable	(249,517)
Accrued interest	(1,629)
Compensated absences	<u>(1,737)</u>
Net long-term liabilities	<u>(252,883)</u>
Net assets of governmental activities	<u>\$ 2,542,302</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Fire Fund	Municipal Street Fund	Law Enforcement	Non-Major Funds	Total Governmental Funds
REVENUES:						
Taxes:						
Gross receipt taxes	\$ 96,451	\$ -	\$ -	\$ -	\$ -	\$ 96,451
Gas taxes	-	-	40,957	-	-	40,957
Property taxes	8,786	-	-	-	-	8,786
Franchise taxes	714	-	3,658	-	-	4,372
Other taxes	1,505	-	-	-	400	1,905
Grants	35,000	79,607	-	19,700	645,899	780,206
Charges for services	-	-	-	-	4,325	4,325
Licenses and permits	355	-	-	-	-	355
Interest income	2,731	13	1,000	-	77	3,821
Miscellaneous	8,955	507	-	-	5,790	15,252
Total revenues	<u>154,497</u>	<u>80,127</u>	<u>45,615</u>	<u>19,700</u>	<u>656,491</u>	<u>956,430</u>
EXPENDITURES:						
Current:						
Finance department	74,603	-	-	-	16,118	90,721
Public safety	-	41,939	-	9,516	17,460	68,915
Public works	997	-	17,517	-	26,454	44,968
Culture and recreation	3,696	-	-	-	24,018	27,714
Capital outlay	-	-	-	23,861	148,689	172,550
Debt service:						
Principal	2,964	26,739	-	6,623	-	36,326
Interest	600	-	-	-	-	600
Total expenditures	<u>82,860</u>	<u>68,678</u>	<u>17,517</u>	<u>40,000</u>	<u>232,739</u>	<u>441,794</u>
Excess (deficiency) of revenues over expenditures	<u>71,637</u>	<u>11,449</u>	<u>28,098</u>	<u>(20,300)</u>	<u>423,752</u>	<u>514,636</u>

(Continued)

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Fire Fund	Municipal Street Fund	Law Enforcement	Non-Major Funds	Total Governmental Funds
Other financing sources (uses)						
Loan proceeds	-	-	-	20,300	-	20,300
Transfer in/out	<u>(3,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(592,888)</u>	<u>(596,388)</u>
Total other sources (uses)	<u>(3,500)</u>	<u>-</u>	<u>-</u>	<u>20,300</u>	<u>(592,888)</u>	<u>(576,088)</u>
Net change in fund balance	68,137	11,449	28,098	-	(169,136)	(61,452)
Fund balance at beginning of year, as previously reported	156,254	3,766	69,097	-	189,326	418,443
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,812)</u>	<u>(29,812)</u>
Fund balance at beginning of year, as restated	<u>156,254</u>	<u>3,766</u>	<u>69,097</u>	<u>-</u>	<u>159,514</u>	<u>388,631</u>
Fund balance at end of year	<u>\$ 224,391</u>	<u>\$ 15,215</u>	<u>\$ 97,195</u>	<u>\$ -</u>	<u>\$ (9,622)</u>	<u>\$ 327,179</u>

(Concluded)

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$ (61,452)
The changes in net assets reported for governmental activities in the statement of activities are different because:	
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(206)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.	
Depreciation expense	(146,172)
Capital outlays	<u>172,550</u>
	26,378
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	36,326
Proceeds from notes payable are revenue in the governmental funds, but increase the long-term liabilities in the government-wide	(20,300)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>749</u>
Change in net assets of governmental activities	<u>\$ (18,505)</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Gross receipts	\$ 50,000	\$ 50,000	\$ 3,978	\$ (46,022)
Property tax	7,701	7,701	8,786	1,085
Franchise tax	800	800	714	(86)
Other tax	1,400	1,400	1,505	105
State shared gross receipts	50,000	50,000	42,237	(7,763)
Other license and permits	600	600	355	(245)
Rent and royalties	7,300	7,300	7,093	(207)
Grants	36,000	36,000	35,000	(1,000)
Interest income	5,000	5,000	2,731	(2,269)
Miscellaneous	1,370	1,862	1,862	-
Total revenues	<u>160,171</u>	<u>160,663</u>	<u>104,261</u>	<u>(56,402)</u>
EXPENDITURES				
General government				
Benefits	8,709	8,709	4,880	3,829
Contract services	4,320	4,751	4,751	-
Insurance	8,850	8,850	5,034	3,816
Maintenance	1,850	1,850	1,131	719
Miscellaneous	3,575	3,575	244	3,331
Salaries	66,352	66,352	43,103	23,249
Supplies	3,350	3,350	3,191	159
Telephone	2,700	2,700	2,320	380
Travel	2,600	2,600	2,828	(228)
Utilities	7,300	7,300	6,867	433
Debt service				
Principal	-	26,739	2,964	(23,775)
Interest	-	-	600	600
Total general government	<u>109,606</u>	<u>136,776</u>	<u>77,913</u>	<u>12,513</u>
Beautification grant				
Contract services	300	300	600	300
Supplies	300	300	397	97
Total beautification grant	<u>600</u>	<u>600</u>	<u>997</u>	<u>397</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Parks department				
Benefits	-	-	219	-
Contract services	200	200	84	(116)
Insurance	-	-	276	276
Maintenance	1,200	1,200	355	(845)
Miscellaneous	900	900	-	(900)
Salaries	-	-	2,232	(2,232)
Supplies	300	300	100	(200)
Travel	100	100	181	81
Utilities	-	-	249	249
Total parks department	<u>2,700</u>	<u>2,700</u>	<u>3,696</u>	<u>1,455</u>
 Total expenditures	 <u>140,076</u>	 <u>140,076</u>	 <u>82,606</u>	 <u>14,365</u>
 Excess (deficiency) of revenues over expenditures	 <u>20,095</u>	 <u>20,587</u>	 <u>21,655</u>	 <u>1,068</u>
 Other financing uses				
Transfers out	-	-	(3,500)	(3,500)
Total other financing other uses	<u>-</u>	<u>-</u>	<u>(3,500)</u>	<u>(3,500)</u>
 Net change in fund balance	 20,095	 20,587	 18,155	 (2,432)
 Fund balance beginning of year	 <u>156,254</u>	 <u>156,254</u>	 <u>156,254</u>	 <u>-</u>
 Fund balance end of year	 <u>\$ 176,349</u>	 <u>\$ 176,841</u>	 <u>\$ 174,409</u>	 <u>\$ (2,432)</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance budgetary basis	\$ 18,155
Revenue accruals	50,236
Expenditure accruals	<u>(254)</u>
Excess (deficiency) of revenues over expenditures - GAAP Basis	<u>\$ 68,137</u>

(Concluded)

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Fire allotment	\$ 56,501	\$ 56,501	\$ 79,607	\$ 23,106
Interest	-	-	13	13
Miscellaneous	<u>250</u>	<u>250</u>	<u>507</u>	<u>257</u>
Total revenues	<u>56,751</u>	<u>56,751</u>	<u>80,127</u>	<u>23,376</u>
EXPENDITURES				
Public safety				
Capital outlay	-	-	-	-
Contract services	2,550	2,550	3,932	(1,382)
Insurance	11,100	11,100	13,803	(2,703)
Maintenance	1,500	1,500	2,414	(914)
Miscellaneous	-	2,201	6,375	(4,174)
Supplies	3,700	3,700	2,239	1,461
Telephone	800	800	682	118
Travel	2,100	2,100	9,657	(7,557)
Utilities	<u>2,500</u>	<u>2,500</u>	<u>2,780</u>	<u>(280)</u>
Debt service				
Principal	-	-	26,739	(26,739)
Interest	-	-	-	-
Total expenditures	<u>24,250</u>	<u>26,451</u>	<u>68,621</u>	<u>(42,170)</u>
Excess (deficiency) of revenues over expenditures	<u>32,501</u>	<u>30,300</u>	<u>11,506</u>	<u>(18,794)</u>
Other financing sources (uses)				
Transfers in/out	<u>(30,156)</u>	<u>(30,156)</u>	<u>-</u>	<u>30,156</u>
Total other financing other sources (uses)	<u>(30,156)</u>	<u>(30,156)</u>	<u>-</u>	<u>30,156</u>
Net change in fund balance	<u>2,345</u>	<u>144</u>	<u>11,506</u>	<u>11,362</u>
Fund balance beginning of year	<u>3,766</u>	<u>3,766</u>	<u>3,766</u>	<u>-</u>
Fund balance end of year	<u>\$ 6,111</u>	<u>\$ 3,910</u>	<u>\$ 15,272</u>	<u>\$ 11,362</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance			\$ 11,506	
Revenue accruals			-	
Expenditure accruals			<u>(57)</u>	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ 11,449</u>	

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - MUNICIPAL STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Franchise taxes	\$ 4,100	\$ 4,100	\$ 3,658	\$ (442)
Gasoline tax	36,000	36,000	37,234	1,234
Interest income	1,000	1,000	1,000	-
Total revenues	<u>41,100</u>	<u>41,100</u>	<u>41,892</u>	<u>792</u>
EXPENDITURES				
Public works				
Benefits	2,054	2,054	279	1,775
Contract services	1,200	1,200	450	750
Insurance	2,000	2,000	2,206	(206)
Maintenance	4,000	4,000	2,112	1,888
Miscellaneous	-	-	-	-
Salaries	6,656	6,656	3,010	3,646
Supplies	1,600	1,600	422	1,178
Telephone	350	350	-	350
Travel	1,650	1,650	924	726
Utilities	9,000	9,000	7,324	1,676
Total expenditures	<u>28,510</u>	<u>28,510</u>	<u>16,727</u>	<u>11,783</u>
Excess (deficiency) of revenues over expenditures	<u>12,590</u>	<u>12,590</u>	<u>25,165</u>	<u>12,575</u>
Net changes in fund balance	<u>12,590</u>	<u>12,590</u>	<u>25,165</u>	<u>12,575</u>
Fund balance beginning of year	<u>70,098</u>	<u>70,098</u>	<u>70,098</u>	<u>-</u>
Fund balance end of year	<u>\$ 82,688</u>	<u>\$ 82,688</u>	<u>\$ 95,263</u>	<u>\$ 12,575</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance			\$ 25,165	
Revenue accruals			3,722	
Expenditure accruals			(789)	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ 28,098</u>	

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - LAW ENFORCEMENT PROTECTION FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Grants	\$ 20,000	\$ 20,000	\$ 19,700	\$ (300)
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>19,700</u>	<u>(300)</u>
EXPENDITURES				
Public safety	-	-	9,516	9,516
Capital outlay	13,377	13,377	23,861	10,484
Debt service				
Principal	<u>-</u>	<u>-</u>	<u>6,623</u>	<u>6,623</u>
Total expenditures	<u>13,377</u>	<u>13,377</u>	<u>40,000</u>	<u>26,623</u>
Excess (deficiency) of revenues over expenditures	<u>6,623</u>	<u>6,623</u>	<u>(20,300)</u>	<u>(26,923)</u>
Other financing sources				
Transfers in	<u>-</u>	<u>-</u>	<u>20,300</u>	<u>20,300</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>20,300</u>	<u>20,300</u>
Excess (deficiency) of revenues over expenditures	<u>6,623</u>	<u>6,623</u>	<u>-</u>	<u>(6,623)</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,623</u>	<u>\$ 6,623</u>	<u>\$ -</u>	<u>\$ (6,623)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ -	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water	Waste Water	Solid Waste	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 27,378	\$ 16,941	\$ 39,414	\$ 83,733
Accounts receivable, net	<u>10,261</u>	<u>2,120</u>	<u>5,626</u>	<u>18,007</u>
Total current assets	<u>37,639</u>	<u>19,061</u>	<u>45,040</u>	<u>101,740</u>
Noncurrent assets				
Customer deposits	5,135	-	-	5,135
Capital assets	2,264,620	1,107,276	55,043	3,426,939
Less accumulated depreciation and amortization	<u>(683,033)</u>	<u>(346,193)</u>	<u>(55,043)</u>	<u>(1,084,269)</u>
Total noncurrent assets	<u>1,586,722</u>	<u>761,083</u>	<u>-</u>	<u>2,347,805</u>
Total assets	<u>\$ 1,624,361</u>	<u>\$ 780,144</u>	<u>\$ 45,040</u>	<u>\$ 2,449,545</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 2,346	\$ 170	\$ 1,474	\$ 3,990
Accrued interest	2,267	-	-	2,267
Notes payable within one year	<u>1,000</u>	<u>1,776</u>	<u>-</u>	<u>2,776</u>
Total current liabilities	<u>5,613</u>	<u>1,946</u>	<u>1,474</u>	<u>9,033</u>
Noncurrent liabilities				
Notes payable, net of current portion	74,949	119,688	-	194,637
Customer deposits	5,135	-	-	5,135
Accrued compensated absences	<u>1,403</u>	<u>824</u>	<u>824</u>	<u>3,051</u>
Total noncurrent liabilities	<u>81,487</u>	<u>120,512</u>	<u>824</u>	<u>202,823</u>
Total liabilities	<u>87,100</u>	<u>122,458</u>	<u>2,298</u>	<u>211,856</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,505,638	761,083	-	2,266,721
Unrestricted	<u>31,623</u>	<u>(103,397)</u>	<u>42,742</u>	<u>(29,032)</u>
Total net assets	<u>\$ 1,537,261</u>	<u>\$ 657,686</u>	<u>\$ 42,742</u>	<u>\$ 2,237,689</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water	Waste Water	Solid Waste	Total
Operating revenues				
Sales and service	\$ 55,321	\$ 25,275	\$ 41,790	\$ 122,386
Fees and penalties	979	412	6,697	8,088
Total operating revenues	<u>56,300</u>	<u>25,687</u>	<u>48,487</u>	<u>130,474</u>
Operating expenses				
Personnel services	15,789	11,298	10,449	37,536
Professional services	19,104	2,123	33,970	55,197
Utilities	7,114	2,709	331	10,154
Operating expenses	8,173	4,833	4,389	17,395
Depreciation expense	48,221	33,299	4,021	85,541
Total operating expenses	<u>98,401</u>	<u>54,262</u>	<u>53,160</u>	<u>205,823</u>
Operating income (loss)	<u>(42,101)</u>	<u>(28,575)</u>	<u>(4,673)</u>	<u>(75,349)</u>
Nonoperating revenues (expenses)				
Gross receipts tax	12,397	-	9,920	22,317
Grants	-	-	-	-
Interest income	56	9	524	589
Interest expense	(4,529)	-	-	(4,529)
Total nonoperating revenues (expenses)	<u>7,924</u>	<u>9</u>	<u>10,444</u>	<u>18,377</u>
Change in net assets	(34,177)	(28,566)	5,771	(56,972)
Other financing sources				
Transfers in	450,956	145,432	-	596,388
Total other sources	<u>450,956</u>	<u>145,432</u>	<u>-</u>	<u>596,388</u>
Net change in net assets	<u>416,779</u>	<u>116,866</u>	<u>5,771</u>	<u>539,416</u>
Net assets, beginning of year, as previously reported	<u>1,005,355</u>	<u>127,355</u>	<u>36,971</u>	<u>1,169,681</u>
Restatement	<u>115,127</u>	<u>413,465</u>	<u>-</u>	<u>528,592</u>
Net assets, beginning of year, as restated	<u>1,120,482</u>	<u>540,820</u>	<u>36,971</u>	<u>1,698,273</u>
Net assets, end of year	<u>\$ 1,537,261</u>	<u>\$ 657,686</u>	<u>\$ 42,742</u>	<u>\$ 2,237,689</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water	Waste Water	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$46,805	25,573	\$46,469	\$118,847
Cash payments to suppliers and employees	<u>(44,168)</u>	<u>(21,748)</u>	<u>(49,750)</u>	<u>(115,666)</u>
Net cash used in operating activities	<u>2,637</u>	<u>3,825</u>	<u>(3,281)</u>	<u>3,181</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Taxes	<u>12,397</u>	-	<u>9,920</u>	<u>22,317</u>
Net cash provided by non-capital financing activities	<u>12,397</u>	-	<u>9,920</u>	<u>22,317</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments	(4,500)	-	-	(4,500)
Interest payments	<u>(4,529)</u>	-	-	<u>(4,529)</u>
Net cash used in capital and related financing activities	<u>(9,029)</u>	-	-	<u>(9,029)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	<u>56</u>	<u>9</u>	<u>524</u>	<u>589</u>
Net cash provided by investing activities	56	9	524	589
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,061	3,834	7,163	17,058
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>21,317</u>	<u>13,107</u>	<u>32,251</u>	<u>66,675</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$27,378</u>	<u>\$16,941</u>	<u>\$39,414</u>	<u>\$83,733</u>

(Continued)

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water	Waste Water	Solid Waste	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH				
USED IN OPERATING ACTIVITIES:				
Operating loss	\$ (42,101)	(28,575)	\$ (4,673)	\$ (75,349)
Adjustment to reconcile operating income to net cash used in operating activities:				
Depreciation	48,221	33,298	4,021	85,540
(Increase) decrease in assets				
Accounts receivable	(4,969)	(114)	(2,018)	(7,101)
Taxes receivable	-	-	-	-
Increase (decrease) in liabilities				
Accounts payable	1,091	(693)	(1,330)	(932)
Accrued interest	1,090	-	-	1,090
Compensated absences	(695)	(91)	719	(67)
Total adjustments	<u>44,738</u>	<u>32,400</u>	<u>1,392</u>	<u>78,530</u>
Net cash used in operating activities	<u>\$ 2,637</u>	<u>\$ 3,825</u>	<u>\$ (3,281)</u>	<u>\$ 3,181</u>

(Concluded)

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of San Jon (the "Village") have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the Village's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) providing an analysis of the Village's overall financial position and results of operations.
- Financial Statements prepared using full-accrual accounting for all the Village's activities.
- A change in fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2010.

In addition, in June 2001, the GASB issued Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, Certain Financial Note Disclosures. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the Village.

Reporting Entity

The Village of San Jon was incorporated under the laws of the State of New Mexico. The Village 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, public improvements, planning and zoning, and general administrative service matters.

A GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Board Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Village are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Basis of Presentation

Government-Wide Financial Statements (GWFS) - The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Village. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The Village has no Fiduciary Funds. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) Charges for services is the term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes to purchase, construct, or renovate capital assets associated with a specific program. These should be reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the reporting government. These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and

presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

Special Revenue Funds

Fire Fund - To account for the operation and maintenance of the Village Fire Department. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Municipal Streets - To account for the one-cent gasoline tax being allocated to the Village for the explicit purpose of street repair. The authority for the allocation and setup of the fund is 7-1-6-27, NMSA, 1978 Compilation, 1989 supplement.

Law Enforcement Fund - To account for the operation and maintenance of the Village's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of the state statute. (NMSA 7-12-15)

Proprietary Funds - To account for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Village has presented the following major proprietary funds:

Water, Waste Water and Solid Waste Funds - The funds are used to account for the provision of water, sewer and garbage services to the residents of the Village. Activities of the funds include administration, operations and maintenance of the water and sewer system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the Village reports the following non-major fund types:

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Village.

Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Village's general revenues. Program revenues include charges for services or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budgetary Control

1. Prior to June 1, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. 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.
3. The Village 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 Village Trustees and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Village may be invested in:

(a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government; or

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Prepaid Items

Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets, which includes property, buildings, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings, improvements and infrastructure	20 - 65 Years
Equipment	3 - 15 Years

Use of Restricted Funds

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

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Compensated Absences

All full-time employees are entitled to a minimum of two weeks per year and a maximum of 22 days per year based upon the length of service.

Each permanent employee of the Village accrues sick leave as working days with full pay on the basis of one (1) day per each month of employment. Sick leave may be granted only from duty because of personal illness, legal quarantine, or medical, dental, or optical appointments. In case of an extended sickness in excess of the accumulated sick leave, annual leave may be applied to sick leave. The employee may be eligible to sell sick leave in excess of 10 days at the rate of 75% of regular pay, only upon approval of the board.

Net Assets and Fund Balances

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and

unrestricted net assets are available it will first be applied to restricted resources.

Net assets should be reported as restricted when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments
- b. Imposed by law through constitutional provisions or enabling legislation. However for the current year the Village of San Jon does not have net assets that are restricted by enabling legislation.

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for encumbrances, contracts, and other specific purposes are examples of the latter. The governmental funds' designation of fund balance reflects tentative plans for future use of financial resources.

New Governmental Accounting Standards

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53 Accounting and Financial Reporting for Derivative Instruments, which is effective for all periods beginning after June 15, 2009. This Statement is intended to improve how governments report information about derivative instruments. The Village incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 55 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which was effective upon issuance. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The Village incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 56 Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, which was effective upon issuance. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The Village incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods

beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

2. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash and investments - The Village is required by New Mexico State Statute (Section 6-10-17) to be 50 percent collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

Wells Fargo	Balance Per		
<u>Name of Account</u>	Bank	Reconciled	Type
	06/30/10	Balance	
General Fund	\$ 31,594	\$ 31,594	Checking
Street Fund Savings	4,059	4,059	Savings
Water Reserve	1,095	1,095	Savings
Total Deposited	36,748	\$ 36,748	
Less: FDIC Coverage	(36,748)		
Uninsured amount	-		
50% collateral requirement	-		
Pledged securities	-		
Over (under) requirement	\$ -		

Citizens Bank

<u>Name of Account</u>	<u>Balance Per Bank 06/30/10</u>	<u>Reconciled Balance</u>	<u>Type</u>
Fire Department	\$ 2,280	\$ 2,280	Savings
Waste Water	1,569	1,569	Savings
Solid Waste	1,080	1,080	Savings
Water Deposits	5,064	5,064	Savings
Veteran's Memorial	293	293	Savings
Restricted Water	4,751	4,751	Savings
Cemetery	12,309	12,309	Savings
Total Deposited	<u>27,346</u>	<u>\$ 27,346</u>	
Less: FDIC Coverage	<u>(27,346)</u>		
Uninsured amount	-		
50% collateral requirement	-		
Pledged securities	-		
Over (under) requirement	<u>\$ -</u>		

Tucumcari Federal Savings & Loan

<u>Name of Account</u>	<u>Balance Per Bank 06/30/10</u>	<u>Reconciled Balance</u>	<u>Type</u>
General Fund	<u>\$ 40,755</u>	<u>\$ 40,755</u>	CD
Total Deposited	40,755	<u>\$ 40,755</u>	
Less: FDIC Coverage	<u>(40,755)</u>		
Uninsured amount	-		
50% collateral requirement	-		
Pledged securities	-		
Over (under) requirement	<u>\$ -</u>		

First National Bank

<u>Name of Account</u>	<u>Balance Per Bank 06/30/10</u>	<u>Reconciled Balance</u>	<u>Type</u>
Operating Account	\$ 221,950	\$ 193,698	Checking
General Fund	20,000	20,000	CD
Street Department	62,738	62,738	CD
Total Deposited	<u>304,688</u>	<u>\$ 276,436</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured amount	54,688		
50% collateral requirement	27,344		
Pledged securities	<u>79,801</u>		
Over (under) requirement	<u>\$ 52,457</u>		

Quay Schools FCU

<u>Name of Account</u>	<u>Balance Per Bank 06/30/09</u>	<u>Reconciled Balance</u>	<u>Type</u>
Solid Waste	\$ 21,010	\$ 21,010	CD
General Fund	<u>20,341</u>	<u>20,341</u>	CD
Total Deposited	41,351	<u>\$ 41,351</u>	
Less: FDIC Coverage	<u>(41,351)</u>		
Uninsured amount	-		
50% collateral requirement	-		
Pledged securities	<u>-</u>		
Over (under) requirement	<u>\$ -</u>		

The following securities are pledged at First National Bank:

<u>Description</u>	<u>CUSIP#</u>	<u>Fair Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLMC Arm 606070	31348HW79	\$ 26,479	4/1/2018	FHLB Dallas, TX
Eastern NM University Rev	276785UAB	27,477	4/1/2014	FHLB Dallas, TX
Eastern NM University	27678NAK9	<u>25,845</u>	8/15/2011	FHLB Dallas, TX
		<u>\$ 79,801</u>		

Custodial Credit Risk-Deposits

Depository Account

Bank Balance

Custodial credit risk is the risk that in the event of a failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$0 of the Village's bank balance of \$396,200, was exposed to custodial credit risk as follows:

Insured	\$ 396,200
Uninsured and collateral held by pledging banks trust department not in the Village's name.	<u>54,688</u>
Total Deposits	<u>\$ 450,888</u>

Custodial credit risk is the risk that in the event of a failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$0 of the Village's bank balance of \$396,200, was exposed to custodial credit risk.

4. CAPITAL ASSETS

Changes in Capital Assets-Capital asset activity for the City's primary government for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer/ Adjustments</u>	<u>Ending Balance</u>
Government activities:					
Capital assets not being depreciated:					
Land	\$ 59,816	\$ -	\$ -	\$ -	\$ 59,816
Construction in progress	668,291	-	-	(668,291)	-
Infrastructure	<u>163,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,002</u>
Total capital assets not being depreciated	<u>891,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,818</u>
Capital Assets, being depreciated					
Buildings and improvements	1,946,607	-	-	668,291	2,614,898
Equipment	<u>2,001,153</u>	<u>172,550</u>	<u>-</u>	<u>(1,349,977)</u>	<u>823,726</u>
Total capital assets, being depreciated	<u>3,947,760</u>	<u>172,550</u>	<u>-</u>	<u>(681,686)</u>	<u>3,438,624</u>
Total capital assets	<u>4,838,869</u>	<u>172,550</u>	<u>-</u>	<u>(681,686)</u>	<u>3,661,442</u>
Less accumulated depreciation for:					
Buildings and improvements	265,654	32,152	-	-	297,806
Equipment	791,265	101,618	-	(64,296)	828,587
Infrastructure	<u>54,640</u>	<u>12,402</u>	<u>-</u>	<u>-</u>	<u>67,042</u>
Total accumulated depreciation	<u>1,111,559</u>	<u>146,172</u>	<u>-</u>	<u>(64,296)</u>	<u>1,193,435</u>
Total other capital assets, net	<u>\$ 3,727,310</u>	<u>\$ 26,378</u>	<u>\$ -</u>	<u>\$ (617,390)</u>	<u>\$ 2,468,007</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 18,578
Public Safety	98,583
Cemetery	524
Streets	14,023
Culture & Recreation	<u>14,464</u>
Total depreciation expense	<u>\$ 146,172</u>

Water

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Transfer/ Adjustments</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 61,599	\$ -	\$ -	\$ -	\$ 61,599
Construction in progress	<u>-</u>	<u>447,456</u>	<u>-</u>	<u>109,211</u>	<u>556,667</u>
Total capital assets not being depreciated	<u>61,599</u>	<u>447,456</u>	<u>-</u>	<u>109,211</u>	<u>618,266</u>
Other Capital Assets					
Water System	1,578,400	-	-	-	1,578,400
Equipment	<u>67,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,954</u>
Total capital assets at historical cost	<u>1,646,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,646,354</u>
Total capital assets	<u>1,707,953</u>	<u>447,456</u>	<u>-</u>	<u>109,211</u>	<u>2,264,620</u>
Less accumulated depreciation					
Buildings and improvements	616,875	44,823	-	(5,916)	655,782
Equipment	<u>23,853</u>	<u>3,398</u>	<u>-</u>	<u>-</u>	<u>27,251</u>
Total capital assets being depreciated, net	<u>640,728</u>	<u>48,221</u>	<u>-</u>	<u>(5,916)</u>	<u>683,033</u>
Business-type activities capital assets, net	<u>\$ 1,067,225</u>	<u>\$ 399,235</u>	<u>\$ -</u>	<u>\$ 115,127</u>	<u>\$ 1,581,587</u>

Waste Water

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Transfer/ Adjustments</u>	<u>Ending Balance</u>
Business-type activities:					
System	\$ 419,915	\$ 107,896	\$ -	\$ 572,465	\$ 1,100,276
Equipment	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
Assets at historical cost	<u>426,915</u>	<u>107,896</u>	<u>-</u>	<u>572,465</u>	<u>1,107,276</u>
Less accumulated depreciation					
Improvements	305,895	33,298	-	-	339,193
Equipment	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
Total accumulated depreciation	<u>312,895</u>	<u>33,298</u>	<u>-</u>	<u>-</u>	<u>346,193</u>
Business-type activities capital assets, net	<u>\$ 114,020</u>	<u>\$ 74,598</u>	<u>\$ -</u>	<u>\$ 572,465</u>	<u>\$ 761,083</u>

Solid Waste

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Equipment	\$ 55,043	\$ -	\$ -	\$ 55,043
Assets at historical cost	<u>55,043</u>	<u>-</u>	<u>-</u>	<u>55,043</u>
Less accumulated depreciation				
Equipment	<u>51,022</u>	<u>4,021</u>	<u>-</u>	<u>55,043</u>
Total accumulated depreciation	<u>51,022</u>	<u>4,021</u>	<u>-</u>	<u>55,043</u>
Business-type activities capital assets, net	<u>\$ 4,021</u>	<u>\$ (4,021)</u>	<u>\$ -</u>	<u>\$ -</u>

5. LONG TERM DEBT

A summary of activity of long term debt is as follows:

	<u>Balance 6/30/09</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/10</u>	<u>Amounts Due Within One Year</u>
Governmental Activities						
Notes payable	\$ 296,596	\$ (31,053)	\$ 20,300	\$ 36,326	\$ 249,517	\$ 42,150
Total notes payable	<u>296,596</u>	<u>(31,053)</u>	<u>20,300</u>	<u>36,326</u>	<u>249,517</u>	<u>42,150</u>
Other liabilities						
Compensated absences	<u>2,486</u>	<u>-</u>	<u>831</u>	<u>1,581</u>	<u>1,736</u>	<u>-</u>
Total other liabilities	<u>2,486</u>	<u>-</u>	<u>831</u>	<u>1,581</u>	<u>1,736</u>	<u>-</u>
Total	<u>\$ 299,082</u>	<u>\$ (31,053)</u>	<u>\$ 21,131</u>	<u>\$ 37,907</u>	<u>\$ 251,253</u>	<u>\$ 42,150</u>

The compensated absences ultimately will be liquidated by the General Fund or Water Fund as they have been in the past.

Notes Payable

The Village entered into a loan with the State of New Mexico in 2002 for the financing of a steel building for the Fire Department. The original amount of the loan was \$35,000. The interest rate is 0%. Principal payments will range between \$3,430 to \$3,542.

The annual requirements to amortize the 2002 loan as of June 30, 2010, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,517	\$ 35	\$ 3,552
2012	3,525	27	3,552
2013	<u>3,571</u>	<u>18</u>	<u>3,589</u>
	<u>\$ 10,613</u>	<u>\$ 80</u>	<u>\$ 10,693</u>

The Village entered into a loan with the State of New Mexico in 2006 for the financing of a fire truck for the Fire Department. The original amount of the loan was \$294,445. The interest rate is 0%. Principal payments will range between \$27,685 to \$34,237.

The annual requirements to amortize the 2006 loan as of June 30, 2010, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	28,483	6,896	35,379
2012	29,320	6,061	35,381
2013	30,200	5,183	35,383
2014	31,123	4,262	35,385
2015	32,102	3,286	35,388
Thereafter	<u>67,376</u>	<u>2,191</u>	<u>69,567</u>
	<u>\$ 218,604</u>	<u>\$ 27,879</u>	<u>\$ 246,483</u>

The Village entered into a loan with the State of New Mexico in 2009 for the financing of a vehicle for Law Enforcement. The original amount of the loan was \$20,300. The interest rate is 0%. Principal payments will be \$10,150.

The annual requirements to amortize the 2009 loan as of June 30, 2010, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,150	\$ -	\$ 10,150
2012	<u>10,150</u>	<u>-</u>	<u>10,150</u>
	<u>\$ 20,300</u>	<u>\$ -</u>	<u>\$ 20,300</u>

Proprietary Funds

A summary of activity in long term debt is as follows:

	<u>Balance 6/30/09</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/10</u>	<u>Amounts Due Within One Year</u>
Business-type activities						
Bonds payable	\$ 80,449	\$ 159,000	\$ -	\$ 42,036	\$ 197,413	\$ 2,776
Compensated absences	<u>6,620</u>	<u>-</u>	<u>1,478</u>	<u>5,045</u>	<u>3,053</u>	<u>-</u>
Long-term	<u>\$ 87,069</u>	<u>\$ 159,000</u>	<u>\$ 1,478</u>	<u>\$ 47,081</u>	<u>\$ 200,466</u>	<u>\$ 2,776</u>

The Village entered into a loan with the Rural Utility Services (RUSS) to help finance the water project. The annual payments vary from \$4,760 to \$6,724 for 40 years. The interest rate is 4.5%. The debt payments will be made from the Water Utility Fund.

The annual requirements to retire the Loan at June 30, 2010, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,000	\$ 3,400	\$ 4,400
2012	1,000	3,350	4,350
2013	1,000	3,310	4,310
2014 - 2018	5,000	15,860	20,860
2019 - 2023	7,000	14,690	21,690
2024 - 2028	10,000	12,700	22,700
2029 - 2033	11,000	10,450	21,450
2034 - 2038	15,000	7,540	22,540
2039 - 2043	24,949	4,310	29,259
	<u>\$ 75,949</u>	<u>\$ 75,610</u>	<u>\$ 151,559</u>

The Village entered into a loan with the Rural Utility Services (RUSS) to help finance the waste water project. The annual payments vary from \$2,312 to \$6,481 for 40 years. The interest rate is 2.75%. The debt payments will be made from the Waste Water Fund.

The annual requirements to retire the Loan at June 30, 2010, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,776	\$ 3,340	\$ 5,116
2012	1,825	3,291	5,116
2013	1,875	3,241	5,116
2014 - 2018	10,178	15,404	25,582
2019 - 2023	11,657	13,925	25,582
2024 - 2028	13,350	12,232	25,582
2029 - 2033	15,290	10,292	25,582
2034 - 2038	17,511	8,071	25,582
2039 - 2043	20,055	5,527	25,582
2039 - 2043	22,968	2,614	25,582
2039 - 2043	4,979	137	5,116
	<u>\$ 121,464</u>	<u>\$ 78,074</u>	<u>\$ 199,538</u>

6. PROPERTY TAXES

Quay County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

7. RETIREMENT PLAN

Plan Description - Ordinance No. 162 dated December 14, 1999 provides a SIMPLE (Savings Incentive Match Plan) retirement plan to the full-time employees of the Village.

All of the Village's full time employees participate in a SIMPLE retirement plan. The plan was established by ordinance requiring the employer to match the employee contribution up to 3% of the employee's salary. The employee is limited to a maximum contribution of \$7,000 annually. For the year

ending June 30, 2010 employer contributions were \$2,356.

The retirement fund is established through Modern Woodmen of America.

8. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Village has elected not to participate in the program by adoption of an ordinance.

9. RECEIVABLES

Receivables as of June 30, 2010, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable	\$ -	\$ 18,007
Gross receipts taxes	<u>19,201</u>	<u>-</u>
	<u>\$ 19,201</u>	<u>\$ 18,007</u>

Taxes receivable for the governmental funds consists primarily of taxes collected by the collection agency in the current year but not remitted to the Village until after year-end. All governmental fund receivables are considered collectible.

10. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2010 consisted of transfers out from the general fund for capital outlay in the capital projects fund and were as follows:

General Fund	(3,500)
Capital Projects Fund	(589,388)
Water Fund	447,456
Waste Water Fund	<u>145,432</u>
Total	<u>-</u>

11. RISK MANAGEMENT

The Village participates in the New Mexico Self-Insurers Fund for medical insurance coverage for their employees. Commercial insurance covers all other losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. There are no claim liabilities at year end.

12. JOINT POWERS AGREEMENT

New Mexico Community Development Council and the New Mexico Department of Finance

A joint powers agreement (JPA) was entered into the 9th day of May, 2000 between the Village of San Jon and the New Mexico Community Development Council and the New Mexico Department of Finance (DFA) and Administration. It shall remain in effect unless terminated by either of the parties by written

notice. This agreement authorizes the Department to apply for any US government funds available to the Department. The Village may jointly authorize the Department to administer the fund, setting rules and regulations, taking applications, rating and ranking projects and making funding recommendations to the Council, who will then award funds in the form of loans to particular Local Public Bodies in the amounts for purposes to be determined by the Department and Council. Village of San Jon did not contribute to the JPA for the year ending June 30, 2010. The Village is only a participant, DFA is responsible for the operations, audit responsibility, and also the is the acting fiscal agent. At June 30, 2010, the Village had chosen not to renew the agreement.

San Jon Cooperative Ambulance

The Village entered into a joint powers agreement with the San Jon Cooperative Ambulance, a non-profit association of the State of New Mexico on December 10, 1996. The purpose of the agreement is to provide ambulance services in the San Jon, Quay County area. The agreement shall be continued from year to year subject to termination by either party by giving written notice of such intention between the end of October and the 1st day of January following during any year in the operation of the program. The joint powers agreement is financed by collection of fees for ambulance services. The Cooperative is responsible for the records of all receipts and disbursements incurred in the operation. The Village's total estimated amount of project and portion applicable to the Village is \$7,000. The Village of San Jon is the fiscal agent as well as having audit responsibilities. The Local Government Division is the government agency where revenues and expenditures are reported.

Quay County Gaming Authority

The Village of San Jon and the communities of Logan, San Jon and Tucumcari have entered into an Agreement with the Quay County Gaming Authority on April 1, 2007. Whereas, all parties are interested in creating economic development in Quay County after years of economic stagnation; and whereas the State of New Mexico have entered into gambling compacts with the New Mexico Indian Tribes, which allows the State of New Mexico to issue an additional license to conduct Para-mutual horse racing in the State of New Mexico, and whereas a study completed by the Greater Tucumcari Economic Development Corporation has determined that Quay County would be an ideal place for a Par-mutual horse racing track and casino; whereas the Parties believe that it would be in the best interest of the State of New Mexico as well as each Party to this Agreement that the license, track facility and casino be owned and operated by the entities which are Parties to this Agreement; and whereas the Parties desire to pursue the acquisition of a license and ownership of a race track and casino by a Joint Powers Agreement; and whereas it is the desire that Quay County Gaming Authority have the power to carry out the purposes and functions as set forth herein.

The Purposes: The purposes of this Agreement are to pursue through all appropriate means an application for a license to conduct a horse racing meet pursuant to the New Mexico Horse Racing Act and regulations of the State Racing Commission. Also to provide a mechanism, upon being granted a license to conduct a horse racing track and casino for the benefit of the State of New Mexico and Parties to this Agreement.

Contributions: The initial contribution for each entity is as follows: 1.City of Tucumcari: \$24,000 2.County of Quay: \$18,000 3.Village of Logan \$9,000 4.Village of San Jon \$6,000.

Income Distribution: The Parties anticipate there will be income to distribute to each Party on an annual basis after the payment of all operating expenses, debt service and management fees. The amount subject to distribution, or "net profit", shall be distributed to each Party on an annual basis as follows: 1.City of Tucumcari 40% 2.County of Quay 30% 3.Village of Logan 15% 4.Village of San Jon 10% 5.Quay County Gaming Authority 5%.

Books and Records: Detailed records of all transactions made pursuant to this Joint Powers Agreement shall be kept and maintained by the Authority Board. Books and records shall be available for inspection subject to applicable statutes and shall be available to any of the member's Party to this Agreement upon reasonable request for access to the records. The financial records of the Authority shall be audited annually in accordance with the Single Audit Act and reviewed and approved by the State Auditor's Office. The results of the audit shall be reported to the Authority Board.

Termination and Distribution of Assets

In the event of dissolution of the Authority, for any reason, or termination of this Agreement, the assets of the Authority shall be distributed to the Parties, with each receiving as its share of the distribution the same percentage of that Party's share of the distributable income as set forth in Article VI. An independent appraisal of all of the properties, improvements, equipment and other assets of the Authority shall be conducted and shall form the basis of the distribution of the assets according to this termination section. In the event of dissolution, termination or withdrawal, the Parties shall not be entitled to a refund of the amounts paid. In the event that all the Parties to the Agreement should elect to terminate this Agreement, the Authority Board shall undertake to immediately establish the conditions shall undertake to immediately establish the conditions under which distribution of assets shall be undertaken in accordance with the provisions of this section. During and after termination is shall be the responsibility of the Authority Board to coordinate the distribution of the assets and conduct a final audit on the operations of the Authority and to deliver such audit to the appropriate state authorities and local jurisdictions that were party to the Agreement during the year in which the termination occurred.

Severability

It is hereby declared to be the intention of the Parties that the articles, sections, subsections, paragraphs, sentences, clauses, and phrases of this Agreement are severable, and if any phrase, clause, sentence, paragraph, section, or article of this Agreement shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, sections, and articles of this Agreement, since the same would have been entered into by the Parties without such invalid portion.

13. SURETY BOND

The officials and certain employees of the District are covered by a surety bond as required by Section 126- 7, NMSA, 1978 Compilation.

14. DEFICIT FUND BALANCE

The Village has a deficit fund balance of \$294 in the Senior Citizens Fund and the Special Appropriations Fund with a deficit fund balance of \$30,490 . The cause of the deficits is unknown. Money will be transferred to the fund to increase the fund balance and eliminate the deficit.

15. RESTATEMENTS

As of June 30, 2010, the Village overstated its capital assets by overstating accumulated depreciation by \$64,292 and capital assets by \$668,301. Additionally, long-term debt was understated by \$127,947 and cash was overstated by \$29,812. Net assets and fund balances have been restated as of June 30, 2010 to correct the prior year errors.

**SUPPLEMENTAL INFORMATION RELATED
TO MAJOR FUNDS**

**SUPPLEMENTAL INFORMATION RELATED
TO NON MAJOR FUNDS**

STATE OF NEW MEXICO
 VILLAGE OF SAN JON

COMBINING BALANCE SHEET BY FUND TYPE
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
ASSETS			
Cash on deposits	\$ 21,282	\$ 23,164	\$ 44,446
Total assets	<u>\$ 21,282</u>	<u>\$ 23,164</u>	<u>\$ 44,446</u>
LIABILITIES			
Accounts payable	\$ 414	\$ 53,654	\$ 54,068
Total liabilities	<u>414</u>	<u>53,654</u>	<u>54,068</u>
FUND BALANCE			
Unreserved			
Designated for subsequent year's expenditures	-	(30,490)	(30,490)
Special revenues	<u>20,868</u>	<u>-</u>	<u>20,868</u>
Total fund balance	<u>20,868</u>	<u>(30,490)</u>	<u>(9,622)</u>
Total liabilities and fund balance	<u>\$ 21,282</u>	<u>\$ 23,164</u>	<u>\$ 44,446</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BY FUND TYPE
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
REVENUES:			
Other taxes	\$ 400	\$ -	\$ 400
Grants	32,648	613,252	645,900
Charges for services	4,325	-	4,325
Dues and contributions	-	-	-
Interest income	77	-	77
Other income	<u>5,790</u>	<u>-</u>	<u>5,790</u>
Total revenues	43,240	613,252	656,492
EXPENDITURES:			
Current:			
Finance	-	16,118	16,118
Public safety	17,460	-	17,460
Public works	12,787	13,668	26,455
Culture and recreation	24,018	-	24,018
Capital outlay	-	148,689	148,689
Debt Service:			
Principal	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>54,265</u>	<u>178,475</u>	<u>232,740</u>
Deficiency revenues over expenditures	(11,025)	434,777	423,752
OTHER FINANCING SOURCES (USES)			
Operating transfers in	<u>-</u>	<u>(592,888)</u>	<u>(592,888)</u>
Total other financing sources (uses)	<u>-</u>	<u>(592,888)</u>	<u>(592,888)</u>
Net change in fund balance	(11,025)	(158,111)	(169,136)
Fund balance beginning of year, as previously reported	61,705	127,621	189,326
Restatement	<u>(29,812)</u>	<u>-</u>	<u>(29,812)</u>
Fund balance beginning of year, as restated	<u>31,893</u>	<u>127,621</u>	<u>159,514</u>
Fund balance end of year	<u>\$ 20,868</u>	<u>\$ (30,490)</u>	<u>\$ (9,622)</u>

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

VILLAGE OF SAN JON, NEW MEXICO

Description of Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The special revenue funds are as follows:

Fire/EMS Fund

To account for operation and maintenance of the Department. Financing is provided by the motor vehicle registration fee of one dollar. Funding is provided under State Statute 24-10A-1 NMSA, 1978 Compilation. Required to be accounted for as a separate fund by New Mexico Department of Health regulation.

EMS/Ambulance

To account for the operation and maintenance of the Village EMS Department. Financing is primarily from an annual EMS allotment and fees collected for emergency transportation. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Cemetery Fund

To account for the operations and maintenance of the cemetery. Financing is primarily from the sale of burial lots. The fund was authorized by NMSA 1978-3-40-1 through 9.

Recreation

To account for the operation and maintenance of the Village's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA 7-12-15)

Senior Citizens

To account for the operation and maintenance of the Senior Citizens' Building. Financing is provided by the Area on Aging. The fund was created by the authority of state statute. (NMSA 7-12-15)

Veterans Memorial

To account for contributions from the citizens to be used to construct a Veterans Memorial located within village limits. The fund was created by local authority.

Quay County Gaming Authority

To account for contributions for a joint powers agreement to promote a horse racing track and gaming casino. The fund was created by the joint powers agreement.

STATE OF NEW MEXICO
VILLAGE OF SAN JON

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Fire/EMS	Cemetery	Recreation	Senior Citizens	Veterans Memorial	Quay County Gaming Authority	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ 16,505	\$ 673	\$ 12	\$ 859	\$ 3,233	\$ 21,282
Total assets	\$ -	\$ 16,505	\$ 673	\$ 12	\$ 859	\$ 3,233	\$ 21,282
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 108	\$ 306	\$ -	\$ -	\$ 414
Total liabilities	-	-	108	306	-	-	414
Fund balance:							
Unreserved	-	16,505	565	(294)	859	3,233	20,868
Total fund balance	-	16,505	565	(294)	859	3,233	20,868
Total liabilities and fund balance	\$ -	\$ 16,505	\$ 673	\$ 12	\$ 859	\$ 3,233	\$ 21,282

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Fire/EMS	Cemetery	Recreation	Senior Citizens	Veterans Memorial	Quay County Gaming Authority	Total
REVENUES							
Other taxes	\$ -	\$ -	\$ 400	\$ -	\$ -	\$ -	\$ 400
Grants	12,767	-	-	19,881	-	-	32,648
Charges for services	-	4,325	-	-	-	-	4,325
Interest income	-	75	-	-	2	-	77
Other	-	3,335	2,305	-	150	-	5,790
Total revenues	<u>12,767</u>	<u>7,735</u>	<u>2,705</u>	<u>19,881</u>	<u>152</u>	<u>-</u>	<u>43,240</u>
EXPENDITURES							
Public safety	17,460	-	-	-	-	-	17,460
Public works	-	8,441	-	-	4,346	-	12,787
Culture and recreation	-	-	3,747	20,271	-	-	24,018
Total expenditures	<u>17,460</u>	<u>8,441</u>	<u>3,747</u>	<u>20,271</u>	<u>4,346</u>	<u>-</u>	<u>54,265</u>
Deficiency of revenues over expenditures	<u>(4,693)</u>	<u>(706)</u>	<u>(1,042)</u>	<u>(390)</u>	<u>(4,194)</u>	<u>-</u>	<u>(11,025)</u>
Net change in fund balance	(4,693)	(706)	(1,042)	(390)	(4,194)	-	(11,025)
Fund balance, beginning of year, as previously reported	4,693	17,211	1,607	96	5,053	33,045	61,705
Restatement	-	-	-	-	-	(29,812)	(29,812)
Fund balance, beginning of year, as restated	<u>4,693</u>	<u>17,211</u>	<u>1,607</u>	<u>96</u>	<u>5,053</u>	<u>3,233</u>	<u>31,893</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 16,505</u>	<u>\$ 565</u>	<u>\$ (294)</u>	<u>\$ 859</u>	<u>\$ 3,233</u>	<u>\$ 20,868</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

FIRE/EMS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State grant	\$ 29,440	\$ 12,767	\$ 12,767	\$ -
Total revenues	<u>29,440</u>	<u>12,767</u>	<u>12,767</u>	<u>-</u>
EXPENDITURES				
Public safety				
Contract services	100	100	169	69
Maintenance	2,400	2,400	2,400	-
Mileage	17,500	5,520	5,164	(356)
Miscellaneous	5,340	5,340	8,213	2,873
Supplies	<u>4,100</u>	<u>4,100</u>	<u>1,514</u>	<u>(2,586)</u>
Total expenditures	<u>29,440</u>	<u>17,460</u>	<u>17,460</u>	<u>(69)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(4,693)</u>	<u>(4,693)</u>	<u>(69)</u>
Fund balance, beginning of year	<u>4,693</u>	<u>4,693</u>	<u>4,693</u>	<u>(69)</u>
Fund balance, end of year	<u>\$ 4,693</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (69)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ (4,693)	
Revenue accruals			0	
Expenditure accruals			<u>0</u>	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ (4,693)</u>	

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

CEMETERY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Services	\$ 3,000	\$ 3,000	\$ 4,325	\$ 1,325
Other	2,800	2,800	3,335	535
Interest income	125	125	75	(50)
Total revenues	<u>5,925</u>	<u>5,925</u>	<u>7,735</u>	<u>1,810</u>
EXPENDITURES				
Public works				
Capital outlay	1,000	1,000	-	1,000
Contract services	250	250	85	165
Insurance	190	190	168	22
Maintenance	6,200	6,200	5,247	953
Miscellaneous	100	100	76	24
Supplies	600	600	2,523	(1,923)
Travel	450	450	342	108
Total expenditures	<u>8,790</u>	<u>8,790</u>	<u>8,441</u>	<u>349</u>
Excess (deficiency) of revenues over expenditures	<u>(2,865)</u>	<u>(2,865)</u>	<u>(706)</u>	<u>2,159</u>
Fund balance, beginning of year	<u>17,211</u>	<u>17,211</u>	<u>17,211</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,346</u>	<u>\$ 14,346</u>	<u>\$ 16,505</u>	<u>\$ 2,159</u>

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	\$ (706)
Revenue accruals	-
Expenditure accruals	-
Excess (deficiency) of revenues over expenditures - GAAP Basis	<u>\$ (706)</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

RECREATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Cigarette taxes	\$ 500	\$ 500	\$ 400	\$ (100)
Rental receipts	2,000	2,000	2,100	100
Contributions and donations	500	500	100	(400)
Interest	20	20	-	(20)
Gross receipts tax	60	60	105	45
Total revenues	<u>3,080</u>	<u>3,080</u>	<u>2,705</u>	<u>(375)</u>
EXPENDITURES				
Culture and recreation				
Contract services	70	70	101	(31)
Insurance	600	600	574	26
Maintenance	500	500	82	418
Supplies	100	100	84	16
Utilities	2,500	2,500	2,798	(298)
Total expenditures	<u>3,770</u>	<u>3,770</u>	<u>3,639</u>	<u>131</u>
Excess (deficiency) of revenues over expenditures	<u>(690)</u>	<u>(690)</u>	<u>(934)</u>	<u>(244)</u>
Fund balance, beginning of year	<u>1,607</u>	<u>1,607</u>	<u>1,607</u>	<u>-</u>
Fund balance, end of year	<u>\$ 917</u>	<u>\$ 917</u>	<u>\$ 673</u>	<u>\$ (244)</u>

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	\$ (934)
Revenue accruals	-
Expenditure accruals	<u>(108)</u>
Excess (deficiency) of revenues over expenditures - GAAP Basis	<u>\$ (1,042)</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

SENIOR CITIZENS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
State grant	\$ 45,041	\$ 45,041	\$ 19,881	\$ (25,160)
Total revenues	45,041	45,041	19,881	(25,160)
EXPENDITURES				
Culture and recreation				
Benefits	851	851	523	328
Capital outlay	-	-	-	-
Contract services	6,533	6,533	-	6,533
Insurance	850	850	8,978	(8,128)
Maintenance	165	165	196	(31)
Miscellaneous	175	175	134	41
Salaries	5,500	5,500	5,500	-
Supplies	342	342	305	37
Telephone	500	500	412	88
Travel	300	300	-	300
Utilities	4,000	4,000	3,917	83
Total expenditures	19,216	19,216	19,965	(749)
Excess (deficiency) of revenues over expenditures	25,825	25,825	(84)	(25,909)
Other financing sources (uses)				
Transfers in/out	-	-	-	-
Total other sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	25,825	25,825	(84)	(25,909)
Fund balance, beginning of year	96	96	96	-
Fund balance, end of year	\$ 25,921	\$ 25,921	\$ 12	\$ (25,909)
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ (84)	
Revenue accruals			-	
Expenditure accruals			(306)	
Excess (deficiency) of revenues over expenditures - GAAP Basis			\$ (390)	

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

VETERANS MEMORIAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Interest	100	100	2	(98)
Other income	300	300	150	(150)
Total revenues	<u>400</u>	<u>400</u>	<u>152</u>	<u>(248)</u>
EXPENDITURES				
Public works	<u>7,200</u>	<u>7,200</u>	<u>4,346</u>	<u>2,854</u>
Total expenditures	<u>7,200</u>	<u>7,200</u>	<u>4,346</u>	<u>2,854</u>
Excess (deficiency) of revenues over expenditures	<u>(6,800)</u>	<u>(6,800)</u>	<u>(4,194)</u>	<u>2,606</u>
Fund balance, beginning of year	<u>5,053</u>	<u>5,053</u>	<u>5,053</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,747)</u>	<u>\$ (1,747)</u>	<u>\$ 859</u>	<u>\$ 2,606</u>

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	\$ (4,194)
Revenue accruals	-
Expenditure accruals	<u>-</u>
Excess (deficiency) of revenues over expenditures - GAAP Basis	<u>\$ (4,194)</u>

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

STATE OF NEW MEXICO
 VILLAGE OF SAN JON

QUAY COUNTY GAMING AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Contract services	-	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance, beginning of year, as previously recorded	33,045	33,045	33,045	-
Restatement	(29,812)	(29,812)	(29,812)	-
Fund balance, beginning of year, as restated	3,233	3,233	3,233	-
Fund balance, end of year	<u>\$ 3,233</u>	<u>\$ 3,233</u>	<u>\$ 3,233</u>	<u>\$ -</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ -	
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ -</u>	

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

CAPITAL PROJECTS FUND

SPECIAL APPROPRIATION PROJECT FUND - To account for resources received from the New Mexico State Legislature, Special Appropriations Project, Laws of 2008, Chapter 92, to be used for the planning design, construction, purchasing of a fire truck and facility in San Jon.

STATE OF NEW MEXICO
VILLAGE OF SAN JON

COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2010

	<u>Special Appropriation Project Fund</u>
ASSETS	
Cash on deposits	\$ 23,164
Total assets	<u>\$ 23,164</u>
LIABILITIES	
Accounts payable	\$ 53,654
Total liabilities	<u>53,654</u>
FUND BALANCE	
Unreserved	
Designated for subsequent year's expenditures	<u>(30,490)</u>
Total fund balance	<u>(30,490)</u>
Total liabilities and fund balance	<u>\$ 23,164</u>

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Special Appropriation Project Fund</u>
REVENUES	
Grants	\$ 220,050
Federal sources	<u>393,202</u>
Total revenues	613,252
EXPENDITURES	
Finance department	16,118
Public works	13,668
Capital projects	148,689
Debt Service	
Principal	-
Interest	<u>-</u>
Total expenditures	<u>178,475</u>
Excess (deficiency) of revenues over expenditures	434,777
OTHER FINANCING USES:	
Operating transfers out	<u>(592,888)</u>
Total other financing source (uses)	<u>(592,888)</u>
Net change in fund balance	(158,111)
Fund balance, beginning of year	<u>127,621</u>
Fund balance, end of year	<u>\$ (30,490)</u>

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

STATE OF NEW MEXICO
 VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 NON-MAJOR CAPITAL PROJECTS FUND - SPECIAL APPROPRIATION PROJECT FUND
 YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Grants	\$ 500,000	\$ 500,000	\$ 613,252	\$ 113,252
Total revenues	500,000	500,000	613,252	113,252
EXPENDITURES				
Finance department	-	-	16,118	(16,118)
Public works	-	-	13,668	(13,668)
Capital outlay	<u>500,000</u>	<u>500,000</u>	<u>95,035</u>	<u>404,965</u>
Total expenditures	<u>500,000</u>	<u>500,000</u>	<u>124,821</u>	<u>375,179</u>
Excess (deficiency) of revenues over expenditures	-	-	488,431	488,431
Excess (deficiency) of revenues and other sources over expenditures	-	-	488,431	488,431
Fund balance, beginning of year	<u>127,621</u>	<u>127,621</u>	<u>127,621</u>	<u>-</u>
Fund balance, end of year	<u>\$ 127,621</u>	<u>\$ 127,621</u>	<u>\$ 616,052</u>	<u>\$ 488,431</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance			\$ 488,431	
Revenue accruals			-	
Expenditure accruals			<u>(53,654)</u>	
Transfers			<u>(592,888)</u>	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ (158,111)</u>	

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

ENTERPRISE FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

ENTERPRISE FUNDS

Water, Waste Water, and Solid Waste

To account for the provision of water, waste water and solid waste services to the residents of the Village. All activities necessary to provide such services are accounted for in these funds, including, but not limited to administration, operations, maintenance, financing, and related debt service, and billing and collections.

STATE OF NEW MEXICO
VILLAGE OF SAN JON

PROPRIETARY FUND - WATER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 56,000	\$ 56,000	\$ 45,060	\$ (10,940)
Connection fees	500	500	-	(500)
Governmental gross receipts tax	12,400	12,400	12,397	(3)
Penalties	900	900	979	79
Grants	2,500	2,500	-	(2,500)
Interest	120	120	56	(64)
Miscellaneous	1,000	1,000	-	(1,000)
Total revenues	<u>73,420</u>	<u>73,420</u>	<u>58,492</u>	<u>(14,928)</u>
EXPENDITURES				
Benefits	5,506	5,506	4,715	791
Capital outlay	500	500	-	500
Contract services	20,500	20,500	17,522	2,978
Insurance	1,800	1,800	3,236	(1,436)
Maintenance	2,800	2,800	2,397	403
Miscellaneous	1,500	1,500	317	1,183
Salaries	17,184	17,184	16,523	661
Supplies	1,691	1,691	1,292	399
Telephone	400	400	364	36
Travel	1,400	1,400	934	466
Utilities	11,000	11,000	5,985	5,015
Debt Service				
Principal	3,440	3,440	-	3,440
Interest	1,000	1,000	4,529	(3,529)
Total expenditures	<u>68,721</u>	<u>68,721</u>	<u>57,814</u>	<u>4,027</u>
Excess (deficiency) of revenues over expenditures	<u>4,699</u>	<u>4,699</u>	<u>678</u>	<u>(10,901)</u>
Fund balance, beginning of year	<u>1,120,482</u>	<u>1,120,482</u>	<u>1,120,482</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,125,181</u>	<u>\$ 1,125,181</u>	<u>\$ 1,121,160</u>	<u>\$ (10,901)</u>

(Continued)

STATE OF NEW MEXICO
VILLAGE OF SAN JON

PROPRIETARY FUND - WATER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	\$	678
Net changes in accounts receivable		10,261
Net changes in accounts payable		2,105
Transfers		450,956
Net changes in long-term debt		1,000
Depreciation		<u>(48,221)</u>

Excess (deficiency) of revenues over expenditures - GAAP Basis \$ 416,779
(Concluded)

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

PROPRIETARY FUND - WASTE WATER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 30,000	\$ 30,000	\$ 23,155	\$ (6,845)
Interest	10	10	9	(1)
Penalties	500	500	412	(88)
Gross receipts tax	1,200	1,200	-	(1,200)
Total revenues	<u>31,710</u>	<u>31,710</u>	<u>23,576</u>	<u>(8,134)</u>
EXPENDITURES				
Benefits	3,717	3,717	2,636	1,081
Capital outlay	1,000	1,000	-	1,000
Contract services	2,750	2,750	2,123	627
Insurance	500	500	-	500
Maintenance	1,550	1,550	-	-
Miscellaneous	400	400	-	400
Salaries	10,024	10,024	8,797	1,227
Supplies	1,357	1,357	3,533	(2,176)
Telephone	300	300	345	(45)
Travel	1,300	1,300	954	346
Training	100	100	-	100
Utilities	2,000	2,000	2,709	(709)
Total expenditures	<u>24,998</u>	<u>24,998</u>	<u>21,097</u>	<u>2,351</u>
Excess (deficiency) of revenues over expenditures	<u>6,712</u>	<u>6,712</u>	<u>2,479</u>	<u>(5,783)</u>
Fund balance, beginning of year	<u>540,820</u>	<u>540,820</u>	<u>540,820</u>	<u>-</u>
Fund balance, end of year	<u>\$ 547,532</u>	<u>\$ 547,532</u>	<u>\$ 543,299</u>	<u>\$ (5,783)</u>

(Continued)

STATE OF NEW MEXICO
VILLAGE OF SAN JON

PROPRIETARY FUND - WASTE WATER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	\$	2,479
Net changes in accounts receivables		2,120
Net changes in accounts payable		133
Transfers		145,432
Depreciation		<u>(33,298)</u>
Excess (deficiency) of revenues over expenditures - GAAP Basis	\$	<u>116,866</u>

(Concluded)

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

PROPRIETARY FUND - SOLID WASTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 38,100	\$ 38,100	\$ 36,164	\$ (1,936)
Interest	700	700	524	(176)
Penalties	4,500	4,500	6,697	2,197
Gross receipts tax	<u>11,500</u>	<u>11,500</u>	<u>9,920</u>	<u>(1,580)</u>
Total revenues	<u>54,800</u>	<u>54,800</u>	<u>53,305</u>	<u>(1,495)</u>
EXPENDITURES				
Benefits	4,018	4,018	2,901	1,117
Contract services	34,400	34,400	29,518	4,882
Insurance	1,200	1,200	1,687	(487)
Maintenance	930	930	1,291	(361)
Miscellaneous	200	200	-	200
Salaries	10,024	10,024	6,724	3,300
Supplies	457	457	3,292	(2,835)
Telephone	300	300	331	(31)
Travel	<u>1,200</u>	<u>1,200</u>	<u>924</u>	<u>276</u>
Total expenditures	<u>52,729</u>	<u>52,729</u>	<u>46,668</u>	<u>6,061</u>
Excess (deficiency) of revenues over expenditures	<u>2,071</u>	<u>2,071</u>	<u>6,637</u>	<u>4,566</u>
Fund balance, beginning of year	<u>36,971</u>	<u>36,971</u>	<u>36,971</u>	<u>-</u>
Fund balance, end of year	<u>\$ 39,042</u>	<u>\$ 39,042</u>	<u>\$ 43,608</u>	<u>\$ 4,566</u>

(Continued)

STATE OF NEW MEXICO
VILLAGE OF SAN JON

PROPRIETARY FUND - SOLID WASTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	\$	6,637
Net changes in accounts receivable		5,626
Net changes in accounts payable		(1,474)
Net changes in compensated absences		(829)
Depreciation		<u>(4,021)</u>
Excess (deficiency) of revenues over expenditures - GAAP Basis	\$	<u>5,939</u>

(Concluded)

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

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* (With Material Weaknesses, Significant Deficiencies, Reportable Instances of Noncompliance, and Other Matters Identified)

Hector H. Balderas, State Auditor
and the Mayor and Village Council of the
Village of San Jon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Village of San Jon (the "Village") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. 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 Village's 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 Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2010-01.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-01.

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

This report is intended solely for the information and use of the Village Council, the Village's management, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "White + Sanoniego + Campbell, LLP". The signature is written in a cursive style and is positioned above a light gray rectangular background.

El Paso, Texas
November 30, 2010

VILLAGE OF SAN JON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Prior audit findings	Current status
IC 09-01 Late Audit Report	Resolved

VILLAGE OF SAN JON
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2010

Legal Compliance with Budget (2010-01)

CONDITION Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget.
 During the fiscal year ended June 30, 2010, the Village remitted payments for goods and services in excess of the adopted budget as follows:

	<u>Budgeted</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	<u>Excess</u> <u>Expenditures</u>
Senior Citizens Fund	\$ 19,216	\$ 19,965	\$ (749)

CRITERIA New Mexico State Statutes Section 6-6-6 states that all approved budgets shall bind all officials and governing authorities and no official can pay an claims in excess of the approved budget. County Officials and governing authorities have the obligation to follow applicable state statutes.

CAUSE The Village did not have controls in place to ensure that it is not expending funds in excess of approved budget amounts.

EFFECT Non-compliance with New Mexico state statutes subjects Village officials and personnel to punishment as defined by state statutes.

RECOMMENDATION Accounting personnel should closely monitor expenditures and budget restrictions, if a change is needed to the budget, accounting personnel should ensure that such changes are presented to the Villages Board of Trustees's and the New Mexico Department of Finance and Administration (DFA). If no changes in the budget are deemed necessary, then no payments should be remitted that would cause the total expenditures to exceed the legal budget.

RESPONSE Schedules will be completed to indicate variances between the Budget and actual amounts. These spreadsheet schedules will ensure that the Villages's actual line item revenues and/or expenditures do not supersede budgetary authority. The Finance Department will be responsible for overseeing and notifying the Village which exceed budgetary authority; so that the proper budget resolution and revision can be submitted to County Commissioners and DFA for approval prior to year-end.

**STATE OF NEW MEXICO
VILLAGE OF SAN JON**

**FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2010**

The financial statements of the Village of San Jon as of, and for the year ended, June 30, 2010 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible Village personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
VILLAGE OF SAN JON

EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2010

An exit conference was conducted October 15, 2010 in a closed meeting of the Village of San Jon pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of San Jon

Billie Joe Barnes
Cynthia Lee
Toni Emillio

Mayor
Deputy Clerk
Treasurer

White + Samaniego + Campbell, LLP

Barbara Payan

Auditor