

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

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2011
and Independent Auditors' Report**

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

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

**DIRECTORY OF OFFICIALS
JUNE 30, 2011**

Board of Trustees

Billie Jo Barnes
Leo Thrasher
Janet Garcia
Darrell Musick
Sherry Ford

Mayor
Mayor Pro Tem
Trustee
Trustee
Trustee

Other Officials

Toni Emilio
Cynthia Lee

Village Treasurer
Clerk



WHITE+
SAMANIEGO+
CAMPBELL, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Suite 600
El Paso, Tx 79901
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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, 2011, 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 fund, debt service fund, enterprise 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, 2011, 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, 2011, 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, 2011, and the respective changes in financial position and the respective budgetary comparisons for the major capital projects fund, debt service fund, enterprise 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, 2011, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the 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 + Samaniego + Campbell, LLP

El Paso, Texas
November 30, 2011

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Primary Governmental Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 453,931	\$ 112,012	\$ 565,943
Receivables, net of allowance for uncollectibles	<u>59,222</u>	<u>20,831</u>	<u>80,053</u>
Total current assets	513,153	132,843	645,996
Noncurrent assets			
Restricted assets - cash	54,558	5,480	60,038
Capital assets	3,661,442	4,094,419	7,755,861
Less accumulated depreciation	<u>(1,345,741)</u>	<u>(1,174,460)</u>	<u>(2,520,201)</u>
Total noncurrent assets	<u>2,370,259</u>	<u>2,925,439</u>	<u>5,295,698</u>
Total assets	<u>\$ 2,883,412</u>	<u>\$ 3,058,282</u>	<u>\$ 5,941,694</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ -	\$ 44,451	\$ 44,451
Accrued wages and benefits	1,038	-	1,038
Accrued interest	4,332	4,428	8,760
Current portion of long-term debt	<u>43,004</u>	<u>3,055</u>	<u>46,059</u>
Total current liabilities	48,374	51,934	100,308
Long-term liabilities:			
Non-current portion of long-term debt	164,316	195,048	359,364
Compensated absences	2,303	3,473	5,776
Customer deposits	<u>-</u>	<u>5,480</u>	<u>5,480</u>
Total noncurrent liabilities	<u>166,619</u>	<u>204,001</u>	<u>370,620</u>
Total liabilities	<u>214,993</u>	<u>255,935</u>	<u>470,928</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,108,381	2,721,856	4,830,237
Unrestricted	<u>560,038</u>	<u>80,491</u>	<u>640,529</u>
Total net assets	<u>\$ 2,668,419</u>	<u>\$ 2,802,347</u>	<u>\$ 5,470,766</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, 2011**

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	\$ 94,057	\$ 396	\$ 35,997	\$ -	\$ (57,664)	\$ -	\$ (57,664)
Public safety	159,464	-	106,930	-	(52,534)	-	(52,534)
Public works	48,592	6,605	-	669,969	627,982	-	627,982
Culture and recreation	44,169	-	19,881	-	(24,288)	-	(24,288)
Interest on long-term debt	9,052	-	-	-	(9,052)	-	(9,052)
Total governmental activities	355,334	7,001	162,808	669,969	484,444	-	484,444
Business-type activities:							
Water	112,680	66,434	-	-	-	(46,246)	(46,246)
Wastewater	52,120	26,942	-	-	-	(25,178)	(25,178)
Solid waste	48,521	48,372	-	-	-	(149)	(149)
Total business-type activities	213,321	141,748	-	-	-	(71,573)	(71,573)
Total primary government	\$ 568,655	\$ 148,749	\$ 162,808	\$ 669,969	\$ 484,444	\$ (71,573)	\$ 412,871
General Revenues and Transfers:							
Taxes:							
Gross receipts					76,978	16,987	93,965
Other taxes					909	-	909
Gasoline					37,673	-	37,673
Franchise					5,034	-	5,034
Property					10,107	-	10,107
Miscellaneous					17,145	-	17,145
Interest income					2,731	420	3,151
Transfers in (out)					(623,030)	623,030	-
Total general revenues and transfers					(472,453)	640,437	167,984
Change in net assets					11,991	568,864	580,855
Net assets, beginning of year, as previously reported					2,542,302	2,237,689	4,779,991
Restatement					114,126	(4,206)	109,920
Net assets, beginning of year, as restated					2,656,428	2,233,483	4,889,911
Net assets, end of year					\$ 2,668,419	\$ 2,802,347	\$ 5,470,766

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Fire Fund	Municipal Street Fund	Fire/EMS Fund	Senior Citizens Fund	Special Approp. Fund	Debt Service Fund	Non-Major Funds	Total Governmental Funds
ASSETS									
Current assets									
Cash and cash equivalents	\$ 276,684	\$ 33,214	\$ 97,678	\$ -	\$ 12	\$ 21,682	\$ -	\$ 24,661	\$ 453,931
Restricted cash	-	54,558	-	-	-	-	-	-	54,558
Accounts and taxes receivable	13,483	-	1,288	-	-	44,451	-	-	59,222
Total assets	\$ 290,167	\$ 87,772	\$ 98,966	\$ -	\$ 12	\$ 66,133	\$ -	\$ 24,661	\$ 567,711
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Current liabilities									
Accrued payroll	\$ 1,038	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,038
Total liabilities	1,038	-	-	-	-	-	-	-	1,038
FUND BALANCES									
Unassigned, reported in:									
General fund	289,129	-	-	-	-	-	-	-	289,129
Restricted, reported in:									
Special revenue funds	-	87,772	98,966	-	12	66,133	-	24,661	277,544
Total fund balances	289,129	87,772	98,966	-	12	66,133	-	24,661	566,673
Total liabilities and fund balances	\$ 290,167	\$ 87,772	\$ 98,966	\$ -	\$ 12	\$ 66,133	\$ -	\$ 24,661	\$ 567,711

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, 2011**

Total fund balances for governmental funds \$ 566,673

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>(1,345,741)</u>

Net capital assets	2,315,701
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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	(207,320)
Accrued interest	(4,332)
Compensated absences	<u>(2,303)</u>

Net long-term liabilities	<u>(213,955)</u>
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Net assets of governmental activities	<u>\$ 2,668,419</u>
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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, 2011

	General Fund	Fire Fund	Municipal Street Fund	Fire/EMS Fund	Senior Citizens Fund	Special Approp. Fund	Debt Service Fund	Non-Major Funds	Total Governmental Funds
REVENUES:									
Taxes:									
Gross receipt taxes	\$ 76,978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,978
Gas taxes	15,368	-	22,305	-	-	-	-	-	37,673
Property taxes	10,107	-	-	-	-	-	-	-	10,107
Franchise taxes	692	-	4,342	-	-	-	-	-	5,034
Other taxes	838	-	-	-	-	-	-	71	909
Grants	35,997	72,754	-	14,176	19,881	669,969	-	20,000	832,777
Charges for services	-	-	-	-	-	-	-	6,605	6,605
Licenses and permits	396	-	-	-	-	-	-	-	396
Interest income	2,106	13	544	-	-	-	-	68	2,731
Miscellaneous	8,844	-	-	-	-	-	-	8,301	17,145
Total revenues	151,326	72,767	27,191	14,176	19,881	669,969	-	35,045	990,355
EXPENDITURES:									
Current:									
Finance department	76,828	-	-	-	-	-	-	-	76,828
Public safety	-	28,339	-	14,176	-	-	-	9,862	52,377
Public works	29	-	25,420	-	-	1,481	-	7,572	34,502
Culture and recreation	6,167	-	-	-	19,575	-	-	3,962	29,704
Debt service:									
Principal	-	-	-	-	-	-	42,197	-	42,197
Interest	-	-	-	-	-	-	6,349	-	6,349
Total expenditures	83,024	28,339	25,420	14,176	19,575	1,481	48,546	21,396	241,957
Excess (deficiency) of revenues over expenditures	68,302	44,428	1,771	-	306	668,488	(48,546)	13,649	748,398

(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, 2011

	General Fund	Fire Fund	Municipal Street Fund	Fire/EMS Fund	Senior Citizens Fund	Special Approp. Fund	Debt Service Fund	Non-Major Funds	Total Governmental Funds
Other financing sources (uses)									
Transfers in	83,900	-	-	3,000	4,500	-	51,821	293	143,514
Transfers out	(87,464)	(34,832)	-	(3,000)	(4,500)	(623,030)	(3,275)	(10,443)	(766,544)
Total other sources (uses)	(3,564)	(34,832)	-	-	-	(623,030)	48,546	(10,150)	(623,030)
Net change in fund balance	64,738	9,596	1,771	-	306	45,458	-	3,499	125,368
Fund balance at beginning of year, as previously reported	224,391	15,215	97,195	-	(294)	(30,490)	-	21,162	327,179
Restatement	-	62,961	-	-	-	51,165	-	-	114,126
Fund balance at beginning of year, as restated	224,391	78,176	97,195	-	(294)	20,675	-	21,162	441,305
Fund balance at end of year	\$ 289,129	\$ 87,772	\$ 98,966	\$ -	\$ 12	\$ 66,133	\$ -	\$ 24,661	\$ 566,673

(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, 2011**

Net change in fund balances - total governmental funds	\$ 125,368
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.	(2,703)
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	(152,305)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	42,197
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>(566)</u>
Change in net assets of governmental activities	<u>\$ 11,991</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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Gross receipt taxes	\$ 84,000	\$ 84,000	\$ 63,495	\$ (20,505)
Gas taxes	-	7,893	15,368	7,475
Property taxes	9,287	9,287	10,107	820
Franchise taxes	700	700	692	(8)
Other taxes	900	900	838	(62)
License and permits	530	530	396	(134)
Charges for services	400	400	-	(400)
Grants	36,000	36,000	35,997	(3)
Interest income	3,000	3,000	2,106	(894)
Miscellaneous	8,220	8,220	8,844	624
Total revenues	143,037	150,930	137,843	(13,087)
EXPENDITURES				
Current:				
Finance department	94,011	94,011	75,790	18,221
Public works	3,400	3,400	29	3,371
Culture and recreation	6,143	6,143	6,167	(24)
Total expenditures	103,554	103,554	81,986	21,568
Excess of revenues over expenditures	39,483	47,376	55,857	8,481
Other financing sources (uses)				
Transfers in	7,500	15,393	83,900	68,507
Transfers out	(11,064)	(11,064)	(87,464)	(76,400)
Total other financing other sources (uses)	(3,564)	4,329	(3,564)	(7,893)
Net change in fund balance	35,919	51,705	52,293	588
Fund balance beginning of year	224,391	224,391	224,391	-
Fund balance end of year	\$ 260,310	\$ 276,096	\$ 276,684	\$ 588
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance budgetary basis			\$ 52,293	
Revenue accruals			13,483	
Expenditure accruals			(1,038)	
Excess of revenues over expenditures - GAAP Basis			<u>\$ 64,738</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 - FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Taxes:				
Gas taxes	\$ 59,011	\$ 71,525	\$ 72,754	\$ 1,229
Interest income	-	-	13	13
Total revenues	59,011	71,525	72,767	1,242
EXPENDITURES				
Current:				
Public safety	32,269	44,783	28,339	16,444
Total expenditures	32,269	44,783	28,339	16,444
Excess of revenues over expenditures	26,742	26,742	44,428	17,686
Other financing uses				
Transfers out	(26,742)	(26,742)	(34,832)	(8,090)
Total other financing other uses	(26,742)	(26,742)	(34,832)	(8,090)
Net change in fund balance	-	-	9,596	9,596
Fund balance beginning of year, before restatement	15,215	15,215	15,215	-
Restatement	-	-	62,961	62,961
Fund balance beginning of year, as restated	15,215	15,215	78,176	62,961
Fund balance end of year	\$ 15,215	\$ 15,215	\$ 87,772	\$ 72,557

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance	\$ 9,596
Excess of revenues over expenditures - GAAP Basis	\$ 9,596

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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes:				
Gas taxes	\$ 38,500	\$ 38,500	\$ 22,305	\$ (16,195)
Franchise taxes	-	-	4,342	4,342
Interest income	<u>4,600</u>	<u>4,600</u>	<u>544</u>	<u>(4,056)</u>
Total revenues	43,100	43,100	27,191	(15,909)
EXPENDITURES				
Current:				
Public works	<u>31,571</u>	<u>33,629</u>	<u>25,420</u>	<u>8,209</u>
Total expenditures	<u>31,571</u>	<u>33,629</u>	<u>25,420</u>	<u>8,209</u>
Excess of revenues over expenditures	<u>11,529</u>	<u>9,471</u>	<u>1,771</u>	<u>(7,700)</u>
Other financing uses				
Transfers out	<u>-</u>	<u>(7,893)</u>	<u>-</u>	<u>(7,893)</u>
Total other uses	<u>-</u>	<u>(7,893)</u>	<u>-</u>	<u>(7,893)</u>
Net changes in fund balance	11,529	1,578	1,771	193
Fund balance beginning of year	<u>97,195</u>	<u>97,195</u>	<u>97,195</u>	<u>-</u>
Fund balance end of year	<u>\$ 108,724</u>	<u>\$ 98,773</u>	<u>\$ 98,966</u>	<u>\$ 193</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance			<u>\$ 1,771</u>	
Excess of revenues over expenditures - GAAP Basis			<u>\$ 1,771</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 - FIRE/EMS FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Grants	\$ 14,360	\$ 14,360	\$ 14,176	\$ (184)
Total revenues	14,360	14,360	14,176	(184)
EXPENDITURES				
Current				
Public safety	14,360	14,360	14,176	184
Total expenditures	14,360	14,360	14,176	184
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	3,000	3,000	3,000	-
Transfers in	(3,000)	(3,000)	(3,000)	-
Total other sources (uses)	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	\$ -
Excess (deficiency) of revenues over expenditures - GAAP Basis	\$ -

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 - SENIOR CITIZENS
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Grants	\$ 19,881	\$ 19,881	\$ 19,881	\$ -
Total revenues	19,881	19,881	19,881	-
EXPENDITURES				
Current:				
Culture and recreation	19,881	19,881	19,575	306
Total expenditures	19,881	19,881	19,575	306
Excess of revenues over expenditures	-	-	306	306
Other financing sources (uses)				
Transfers in	4,500	4,500	4,500	-
Transfers out	(4,500)	(4,500)	(4,500)	-
Total other sources (uses)	-	-	-	-
Net change in fund balance	-	-	306	306
Fund balance, beginning of year	(294)	(294)	(294)	(294)
Fund balance, end of year	\$ (294)	\$ (294)	\$ 12	\$ 12
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 306	
Excess of revenues over expenditures - GAAP Basis			\$ 306	

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, 2011**

	<u>Water</u>	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 45,422	\$ 21,285	\$ 45,305	\$ 112,012
Accounts receivable	<u>11,563</u>	<u>2,950</u>	<u>6,318</u>	<u>20,831</u>
Total current assets	<u>56,985</u>	<u>24,235</u>	<u>51,623</u>	<u>132,843</u>
Noncurrent assets				
Customer deposits	5,480	-	-	5,480
Capital assets	2,642,675	1,396,701	55,043	4,094,419
Less accumulated depreciation and amortization	<u>(742,504)</u>	<u>(376,913)</u>	<u>(55,043)</u>	<u>(1,174,460)</u>
Total noncurrent assets	<u>1,905,651</u>	<u>1,019,788</u>	<u>-</u>	<u>2,925,439</u>
Total assets	<u>\$ 1,962,636</u>	<u>\$ 1,044,023</u>	<u>\$ 51,623</u>	<u>\$ 3,058,282</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 21,240	\$ 23,211	\$ -	\$ 44,451
Accrued expenses	2,564	1,680	184	4,428
Notes payable within one year	<u>1,000</u>	<u>2,055</u>	<u>-</u>	<u>3,055</u>
Total current liabilities	24,804	26,946	184	51,934
Noncurrent liabilities				
Notes payable, net of current portion	73,434	121,614	-	195,048
Customer deposits	5,480	-	-	5,480
Accrued compensated absences	<u>1,597</u>	<u>938</u>	<u>938</u>	<u>3,473</u>
Total noncurrent liabilities	<u>80,511</u>	<u>122,552</u>	<u>938</u>	<u>204,001</u>
Total liabilities	105,315	149,498	1,122	255,935
NET ASSETS				
Invested in capital assets, net of related debt	1,825,737	896,119	-	2,721,856
Unrestricted	<u>31,584</u>	<u>(1,594)</u>	<u>50,501</u>	<u>80,491</u>
Total net assets	<u>\$ 1,857,321</u>	<u>\$ 894,525</u>	<u>\$ 50,501</u>	<u>\$ 2,802,347</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 NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Water	Waste Water	Solid Waste	Total
Operating revenues				
Sales and service	\$ 65,293	\$ 26,446	\$ 43,580	\$ 135,319
Fees and penalties	1,141	496	4,792	6,429
Total operating revenues	<u>66,434</u>	<u>26,942</u>	<u>48,372</u>	<u>141,748</u>
Operating expenses				
Personnel services	16,625	6,462	11,763	34,850
Professional services	17,485	2,611	32,276	52,372
Utilities	6,868	2,748	297	9,913
Operating expenses	9,368	4,627	4,185	18,180
Depreciation expense	59,471	30,720	-	90,191
Total operating expenses	<u>109,817</u>	<u>47,168</u>	<u>48,521</u>	<u>205,506</u>
Operating income (loss)	<u>(43,383)</u>	<u>(20,226)</u>	<u>(149)</u>	<u>(63,758)</u>
Nonoperating revenues (expenses)				
Gross receipts tax	9,435	-	7,552	16,987
Grants	-	-	-	-
Interest income	55	9	356	420
Interest expense	(2,863)	(4,952)	-	(7,815)
Total nonoperating revenues (expenses)	<u>6,627</u>	<u>(4,943)</u>	<u>7,908</u>	<u>9,592</u>
Change in net assets	(36,756)	(25,169)	7,759	(54,166)
Other financing sources				
Transfers in	365,977	266,214	-	632,191
Transfers out	(9,161)	-	-	(9,161)
Total other sources	<u>356,816</u>	<u>266,214</u>	<u>-</u>	<u>623,030</u>
Net change in net assets	320,060	241,045	7,759	568,864
Net assets, beginning of year	1,537,261	657,686	42,742	2,237,689
Restatement	-	(4,206)	-	(4,206)
Net assets, beginning of year, as restated	<u>1,537,261</u>	<u>653,480</u>	<u>42,742</u>	<u>2,233,483</u>
Net assets, end of year	<u>\$ 1,857,321</u>	<u>\$ 894,525</u>	<u>\$ 50,501</u>	<u>\$ 2,802,347</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, 2011**

	Water	Waste Water	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 65,132	26,112	\$ 47,680	\$ 138,924
Cash payments to suppliers and employees	<u>(30,961)</u>	<u>8,387</u>	<u>(49,697)</u>	<u>(72,271)</u>
Net cash provided by (used in) operating activities	34,171	34,499	(2,017)	66,653
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Taxes	<u>9,435</u>	-	<u>7,552</u>	<u>16,987</u>
Net cash provided by non-capital financing activities	9,435	-	7,552	16,987
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of property and equipment	(378,055)	(289,425)	-	(667,480)
Transfers	356,816	266,214	-	623,030
Principal payments	(1,515)	(2,001)	-	(3,516)
Interest payments	<u>(2,863)</u>	<u>(4,952)</u>	-	<u>(7,815)</u>
Net cash used in capital and related financing activities	(25,617)	(30,164)	-	(55,781)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	<u>55</u>	<u>9</u>	<u>356</u>	<u>420</u>
Net cash provided by investing activities	55	9	356	420
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,044	4,344	5,891	28,279
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>27,378</u>	<u>16,941</u>	<u>39,414</u>	<u>83,733</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 45,422</u>	<u>\$ 21,285</u>	<u>\$ 45,305</u>	<u>\$ 112,012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating loss	\$ (43,383)	(20,226)	\$ (149)	\$ (63,758)
Adjustment to reconcile operating income to net cash used in operating activities:				
Depreciation	59,471	30,720	-	90,191
Change in:				
Accounts receivable	(1,302)	(830)	(692)	(2,824)
Accounts payable	18,894	23,041	(1,474)	40,461
Accrued expenses	297	1,680	184	2,161
Compensated absences	<u>194</u>	<u>114</u>	<u>114</u>	<u>422</u>
Total adjustments	<u>77,554</u>	<u>54,725</u>	<u>(1,868)</u>	<u>130,411</u>
Net cash provided by (used in) operating activities	<u>\$ 34,171</u>	<u>\$ 34,499</u>	<u>\$ (2,017)</u>	<u>\$ 66,653</u>

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, 2011**

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, 2011.

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.

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: 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.

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)

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)

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

Debt Service fund - The Debt Service Fund is used to account for all resources for the payment of debt by the Village.

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.

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 1st, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1st, 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.

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 borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

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

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

Interfund Transactions

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

New Governmental Accounting Standards

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. 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.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. 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 June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to

indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. 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 December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. 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. 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		
	06/30/11	Balance		Type
General Fund	\$ 75,671	\$ 75,671		Checking
Street Fund Savings	4,061	4,061		Savings
Water Reserve	<u>1,096</u>	<u>1,096</u>		Savings
Total Deposited	80,828	<u>\$ 80,828</u>		
Less: FDIC Coverage	<u>(80,828)</u>			
Uninsured amount	-			
50% collateral requirement	-			
Pledged securities	-			
Over (under) requirement	<u>\$ -</u>			

Citizens Bank			
<u>Name of Account</u>	<u>Balance Per Bank 06/30/11</u>	<u>Reconciled Balance</u>	<u>Type</u>
Fire Department	\$ 2,292	\$ 2,292	Savings
Waste Water	1,578	1,578	Savings
Solid Waste	1,086	1,086	Savings
Water Deposits	9,870	9,870	Savings
Cemetery	12,376	12,376	Savings
Total Deposited	27,202	\$ 27,202	
Less: FDIC Coverage	(27,202)		
Uninsured amount	-		
50% collateral requirement	-		
Pledged securities	-		
Over (under) requirement	\$ -		

Tucumcari Federal Savings & Loan			
<u>Name of Account</u>	<u>Balance Per Bank 06/30/11</u>	<u>Reconciled Balance</u>	<u>Type</u>
General Fund	\$ 41,426	\$ 41,426	CD
Total Deposited	41,426	\$ 41,426	
Less: FDIC Coverage	(41,426)		
Uninsured amount	-		
50% collateral requirement	-		
Pledged securities	-		
Over (under) requirement	\$ -		

First National Bank			
<u>Name of Account</u>	<u>Balance Per Bank 06/30/11</u>	<u>Reconciled Balance</u>	<u>Type</u>
Operating Account	\$ 274,900	\$ 266,374	Checking
General Fund	20,170	20,170	CD
Quay County Gaming Authority	2,731	2,731	Checking
Quay County Gaming Authority	508	502	Savings
Street Department	63,280	63,280	CD
Total Deposited	361,589	\$ 353,057	
Less: FDIC Coverage	(333,450)		
Uninsured amount	28,139		
50% collateral requirement	14,070		
Pledged securities	27,583		
Over (under) requirement	\$ 13,513		

Quay Schools FCU		Balance Per	Reconciled	
<u>Name of Account</u>		Bank	Balance	Type
		06/30/11		
Solid Waste	\$	21,361	\$ 21,361	CD
General Fund		<u>42,069</u>	<u>42,069</u>	CD
Total Deposited		63,430	<u>\$ 63,430</u>	
Less: FDIC Coverage		<u>(63,430)</u>		
Uninsured amount		-		
50% collateral requirement		-		
Pledged securities		-		
Over (under) requirement	\$	<u>-</u>		

NMFA		Balance Per	Reconciled	
<u>Name of Account</u>		Bank	Balance	Type
		06/30/11		
Restricted Cash - NMFA Loan	\$	<u>54,558</u>	<u>\$ 54,558</u>	Savings

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>
Eastern NM University	276785UA8	\$ <u>27,583</u>	4/01/2014	FHLB Dallas, TX
		<u>\$ 27,583</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
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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, 2011, \$28,139 of the Village's bank balance of \$518,197, was exposed to custodial credit risk as follows:

Insured	\$ 518,197
Uninsured and collateral held by pledging banks trust department not in the Village's name.	<u>28,139</u>
Total Deposits	<u>\$ 546,336</u>

3. CAPITAL ASSETS

Changes in Capital Assets-Capital asset activity for the City's primary government for the year ended June 30, 2011, 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
Total capital assets not depreciated	<u>59,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,816</u>
Capital Assets, being depreciated					
Buildings and improvements	2,614,898	-	-	-	2,614,898
Equipment	823,726	-	-	-	823,726
Infrastructure	163,002	-	-	-	163,002
Total capital assets, depreciated	<u>3,601,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,601,626</u>
Total capital assets	<u>3,661,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,661,442</u>
Less accumulated depreciation for:					
Buildings and improvements	297,806	32,153	-	-	329,959
Equipment	828,587	106,551	-	-	935,138
Infrastructure	67,043	13,601	-	-	80,644
Total accumulated depreciation	<u>1,193,436</u>	<u>152,305</u>	<u>-</u>	<u>-</u>	<u>1,345,741</u>
Total other capital assets, net	<u>\$ 2,468,006</u>	<u>\$ (152,305)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,315,701</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 16,663
Public Safety	107,087
Public Works	14,090
Culture & Recreation	<u>14,465</u>
Total depreciation expense	<u>\$ 152,305</u>

Water	Beginning Balance	Additions	Decreases	Transfer/ Adjustments	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 61,599	\$ -	\$ -	\$ -	\$ 61,599
Construction in progress	<u>556,667</u>	<u>378,055</u>	<u>-</u>	<u>(900,000)</u>	<u>34,722</u>
Total capital assets not depreciated	<u>618,266</u>	<u>378,055</u>	<u>-</u>	<u>(900,000)</u>	<u>96,321</u>
Other Capital Assets					
Water System	1,578,400	900,000	-	-	2,478,400
Equipment	<u>67,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,954</u>
Total capital assets at cost	<u>1,646,354</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>2,546,354</u>
Total capital assets	<u>2,264,620</u>	<u>1,278,055</u>	<u>-</u>	<u>(900,000)</u>	<u>2,642,675</u>
Less accumulated depreciation					
Buildings and improvements	655,782	56,073	-	-	711,855
Equipment	<u>27,251</u>	<u>3,398</u>	<u>-</u>	<u>-</u>	<u>30,649</u>
Total capital assets depreciated, net	<u>683,033</u>	<u>59,471</u>	<u>-</u>	<u>-</u>	<u>742,504</u>
Business-type activities capital assets	<u>\$ 1,581,587</u>	<u>\$ 1,218,584</u>	<u>\$ -</u>	<u>\$ (900,000)</u>	<u>\$ 1,900,171</u>
Waste Water					
	Beginning Balance	Additions	Decreases	Transfer/ Adjustments	Ending Balance
Business-type activities:					
System	\$ 1,100,276	\$ -	\$ -	\$ -	\$ 1,100,276
Construction in progress	-	289,425	-	-	289,425
Equipment	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
Assets at historical cost	<u>1,107,276</u>	<u>289,425</u>	<u>-</u>	<u>-</u>	<u>1,396,701</u>
Less accumulated depreciation					
Improvements	339,193	30,720	-	-	369,913
Equipment	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
Total accumulated depreciation	<u>346,193</u>	<u>30,720</u>	<u>-</u>	<u>-</u>	<u>376,913</u>
Business-type activities capital assets	<u>\$ 761,083</u>	<u>\$ 258,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,019,788</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	55,043	-	-	55,043
Less accumulated depreciation				
Equipment	55,043	-	-	55,043
Total accumulated depreciation	55,043	-	-	55,043
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

4. LONG-TERM DEBT

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

	<u>Balance 6/30/10</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/11</u>	<u>Amounts Due Within One Year</u>
Governmental Activities						
Notes payable	\$ 249,517	\$ -	\$ -	\$ 42,197	\$ 207,320	\$ 43,004
Total notes payable	249,517	-	-	42,197	207,320	43,004
Other liabilities						
Compensated absences	1,736	-	1,031	464	2,303	-
Total other liabilities	1,736	-	1,031	464	2,303	-
Total	<u>\$ 251,253</u>	<u>\$ -</u>	<u>\$ 1,031</u>	<u>\$ 42,661</u>	<u>\$ 209,623</u>	<u>\$ 43,004</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, 2011, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,534	\$ 27	\$ 3,561
2013	3,515	18	3,533
	<u>\$ 7,049</u>	<u>\$ 45</u>	<u>\$ 7,094</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, 2011, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2016	33,139	3,286	36,425
Thereafter	<u>34,237</u>	<u>2,191</u>	<u>36,428</u>
	<u>\$ 190,121</u>	<u>\$ 24,269</u>	<u>\$ 214,390</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, 2011, are as follows:

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

Proprietary Funds

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

	<u>Balance</u> <u>6/30/10</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/11</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Business-type activities						
Bonds payable	\$ 197,413	\$ 4,206	\$ -	\$ 3,516	\$ 198,103	\$ 3,055
Compensated absences	<u>3,053</u>	<u>-</u>	<u>1,427</u>	<u>1,007</u>	<u>3,473</u>	<u>-</u>
Long-term	<u>\$ 200,466</u>	<u>\$ 4,206</u>	<u>\$ 1,427</u>	<u>\$ 4,523</u>	<u>\$ 201,576</u>	<u>\$ 3,055</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, 2011, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,055	\$ 3,401	\$ 5,456
2013	2,111	3,345	5,456
2014	2,170	3,286	5,456
2015	2,229	3,226	5,455
2016	2,290	3,165	5,455
2017 - 2021	12,433	14,847	27,280
2022 - 2026	14,239	13,040	27,279
2027 - 2031	16,308	10,972	27,280
2032 - 2036	18,677	8,603	27,280
2037 - 2041	21,390	5,890	27,280
2042 - 2046	24,497	2,782	27,279
2047 - 2049	5,270	145	5,415
	<u>\$ 123,669</u>	<u>\$ 72,702</u>	<u>\$ 196,371</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, 2011, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,000	\$ 3,350	\$ 4,350
2012	1,000	3,310	4,310
2013	1,000	3,260	4,260
2014	1,000	3,220	4,220
2015	1,000	3,170	4,170
2017 - 2021	5,000	15,190	20,190
2022 - 2026	10,000	13,600	23,600
2027 - 2031	10,000	11,350	21,350
2032 - 2036	14,000	8,840	22,840
2037 - 2041	16,000	5,510	21,510
2042 - 2046	14,434	1,410	15,844
	<u>\$ 74,434</u>	<u>\$ 72,210</u>	<u>\$ 146,644</u>

5. 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.

6. 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, 2011 employer contributions were \$2,110.

The retirement fund is established through Modern Woodmen of America.

7. 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.

8. RECEIVABLES

Receivables as of June 30, 2011, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable	\$ -	\$ 18,432
Gasoline taxes	4,546	-
Gross receipts taxes	<u>54,676</u>	<u>2,399</u>
	<u>\$ 59,222</u>	<u>\$ 20,831</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.

9. 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.

10. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2011 consisted of transfers out from the general fund for capital outlay in the capital projects fund and were as follows:

	Transfers In	Transfers Out
General Fund	\$ 83,900	\$ 87,464
Fire Fund	-	26,742
Fire/EMS Fund	3,000	3,000
Senior Citizens Fund	4,500	4,500
Capital Projects Fund	-	623,030
Debt Service Fund	43,731	3,275
Law Enforcement Fund	-	10,150
Veterans Memorial Fund	293	293
Water Fund	365,977	9,161
Waste Water Fund	266,214	-
	<hr/>	<hr/>
Total	<u>\$ 767,615</u>	<u>\$ 767,615</u>

11. JOINT POWERS AGREEMENTS

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, 2011. 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, 2011, 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 has 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 statues 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.

12. 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.

13. EXCESS EXPENDITURES OVER APPROPRIATIONS

New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The Village exceeded its authorized budget by \$12 as follows:

<u>Fund</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Law Enforcement Fund	\$ 9,850	\$ 9,862	\$ 12

14. BUDGETED DEFICIT FUND BALANCE

The following funds budgeted a deficit fund balance as of June 30, 2011:

Senior Citizens Fund	\$ 294
Recreation Fund	35

15. RESTATEMENTS

A prior period adjusted was posted to the Capital Projects Fund to capitalize \$51,165 of expenditures not capitalized in 2010. In addition, long-term debt was overstated by \$4,206 and restricted cash for a loan was understated by \$62,961. Restatement amounts are as follows:

	<u>Fire Fund</u>	<u>Special Approp. Fund</u>	<u>Waste Water Fund</u>	<u>Govtl. Activities</u>	<u>Business Type Activities</u>
Expenditures not capitalized	\$ 62,961	\$ -	\$ -	\$ 62,961	\$ -
Overstated long-term debt	-	-	(4,206)	-	(4,206)
Understated restricted cash	-	51,165	-	51,165	-
	<u>\$ 62,961</u>	<u>\$ 51,165</u>	<u>\$ (4,206)</u>	<u>\$ 114,126</u>	<u>\$ (4,206)</u>

**SUPPLEMENTAL INFORMATION RELATED
TO NON MAJOR FUNDS**

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:

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)

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)

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, 2011

	Law Enforcement	Cemetery	Recreation	Veterans Memorial	Quay County Gaming Authority	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ 19,100	\$ 2,328	\$ -	\$ 3,233	\$ 24,661
Total assets	\$ -	\$ 19,100	\$ 2,328	\$ -	\$ 3,233	\$ 24,661
LIABILITIES AND FUND BALANCE						
Fund balance						
Restricted, reported in:						
Special revenue funds	\$ -	\$ 19,100	\$ 2,328	\$ -	\$ 3,233	\$ 24,661
Total fund balance	-	19,100	2,328	-	3,233	24,661
Total liabilities and fund balance	\$ -	\$ 19,100	\$ 2,328	\$ -	\$ 3,233	\$ 24,661

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, 2011**

	Law Enforcement	Cemetery	Recreation	Veterans Memorial	Quay County Gaming Authority	Total
REVENUES						
Other taxes	\$ -	\$ -	71	\$ -	\$ -	71
Grants	20,000	-	-	-	-	20,000
Charges for services	-	6,605	-	-	-	6,605
Interest income	-	68	-	-	-	68
Other	12	2,635	5,654	-	-	8,301
Total revenues	<u>20,012</u>	<u>9,308</u>	<u>5,725</u>	<u>-</u>	<u>-</u>	<u>35,045</u>
EXPENDITURES						
Public safety	9,862	-	-	-	-	9,862
Public works	-	6,713	-	859	-	7,572
Culture and recreation	-	-	3,962	-	-	3,962
Total expenditures	<u>9,862</u>	<u>6,713</u>	<u>3,962</u>	<u>859</u>	<u>-</u>	<u>21,396</u>
Excess (deficiency) of revenues over expenditures	10,150	2,595	1,763	(859)	-	13,649
Other financing sources (uses)						
Transfers in	-	-	-	293	-	293
Transfers out	(10,150)	-	-	(293)	-	(10,443)
Total other sources (uses)	(10,150)	-	-	-	-	(10,150)
Net change in fund balance	-	2,595	1,763	(859)	-	3,499
Fund balance, beginning of year	-	16,505	565	859	3,233	21,162
Fund balance, end of year	\$ -	\$ 19,100	\$ 2,328	\$ -	\$ 3,233	\$ 24,661

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

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

**LAW ENFORCEMENT PROTECTION 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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Grants	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
Total revenues	20,000	20,000	20,012	12
EXPENDITURES				
Current				
Public safety	<u>9,850</u>	<u>9,850</u>	<u>9,862</u>	<u>(12)</u>
Total expenditures	<u>9,850</u>	<u>9,850</u>	<u>9,862</u>	<u>(12)</u>
Excess of revenues over expenditures	<u>10,150</u>	<u>10,150</u>	<u>10,150</u>	<u>-</u>
Other financing uses				
Transfers out	<u>(10,150)</u>	<u>(10,150)</u>	<u>(10,150)</u>	<u>-</u>
Total other financing uses	<u>(10,150)</u>	<u>(10,150)</u>	<u>(10,150)</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			<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**

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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 7,600	\$ 7,600	\$ 6,605	\$ (995)
Interest income	55	55	68	13
Miscellaneous	-	-	2,635	2,635
Total revenues	<u>7,655</u>	<u>7,655</u>	<u>9,308</u>	<u>1,653</u>
EXPENDITURES				
Current:				
Public works	<u>8,066</u>	<u>8,066</u>	<u>6,713</u>	<u>1,353</u>
Total expenditures	<u>8,066</u>	<u>8,066</u>	<u>6,713</u>	<u>1,353</u>
Excess (deficiency) of revenues over expenditures	(411)	(411)	2,595	3,006
Fund balance, beginning of year	<u>16,505</u>	<u>16,505</u>	<u>16,505</u>	<u>-</u>
Fund balance, end of year	<u>\$ 16,094</u>	<u>\$ 16,094</u>	<u>\$ 19,100</u>	<u>\$ 3,006</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			<u>\$ 2,595</u>	
Excess of revenues over expenditures - GAAP Basis			<u>\$ 2,595</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes:				
Other taxes	\$ -	\$ 100	\$ 71	\$ (29)
Miscellaneous	<u>2,700</u>	<u>5,400</u>	<u>5,654</u>	<u>254</u>
Total revenues	2,700	5,500	5,725	225
EXPENDITURES				
Current				
Culture and recreation	<u>3,300</u>	<u>6,100</u>	<u>3,962</u>	<u>2,138</u>
Total expenditures	<u>3,300</u>	<u>6,100</u>	<u>3,962</u>	<u>2,138</u>
Excess (deficiency) of revenues over expenditures	(600)	(600)	1,763	2,363
Fund balance, beginning of year	<u>565</u>	<u>565</u>	<u>565</u>	<u>-</u>
Fund balance, end of year	<u>\$ (35)</u>	<u>\$ (35)</u>	<u>\$ 2,328</u>	<u>\$ 2,363</u>

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	<u>\$ 1,763</u>
Excess of revenues over expenditures - GAAP Basis	<u>\$ 1,763</u>

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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 100	\$ 100	\$ -	\$ (100)
Interest income	<u>2</u>	<u>2</u>	<u>-</u>	<u>(2)</u>
Total revenues	<u>102</u>	<u>102</u>	<u>-</u>	<u>(102)</u>
EXPENDITURES				
Current				
Public works	<u>700</u>	<u>859</u>	<u>859</u>	<u>-</u>
Total expenditures	<u>700</u>	<u>859</u>	<u>859</u>	<u>-</u>
Deficiency of revenues over expenditures	(598)	(757)	(859)	(102)
Fund balance, beginning of year	<u>859</u>	<u>859</u>	<u>859</u>	<u>-</u>
Fund balance, end of year	<u>\$ 102</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ (102)</u>

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	<u>\$ (859)</u>
Deficiency of revenues over expenditures - GAAP Basis	<u>\$ (859)</u>

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

**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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 52,900	\$ 57,900	\$ 53,730	\$ (4,170)
Fees and penalties	-	-	1,141	1,141
Governmental gross receipts tax	10,600	10,600	9,435	(1,165)
Grants	2,500	2,500	-	(2,500)
Interest income	53	53	55	2
Total revenues	66,053	71,053	64,361	(6,692)
EXPENDITURES				
Personnel services	12,978	16,625	14,061	2,564
Professional services	22,150	22,150	-	22,150
Utilities	-	5,038	6,868	(1,830)
Operating expenses	18,150	18,150	5,613	12,537
Interest expense	4,564	4,564	2,863	1,701
Total expenditures	57,842	66,527	29,405	37,122
Excess of revenues over expenditures	8,211	4,526	34,956	30,430
Fund balance, beginning of year	1,537,261	1,537,261	1,537,261	-
Fund balance, end of year	<u>\$ 1,545,472</u>	<u>\$ 1,541,787</u>	<u>\$ 1,572,217</u>	<u>\$ 30,430</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 34,956	
Net changes in accounts receivable			11,563	
Net changes in accounts payable and accrued expenses			(23,804)	
Transfers			356,816	
Depreciation			(59,471)	
Excess of revenues over expenditures - GAAP Basis			<u>\$ 320,060</u>	

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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 25,500	\$ 25,500	\$ 23,496	\$ (2,004)
Fees and penalties	1,200	1,200	496	(704)
Interest income	10	10	9	(1)
Total revenues	<u>26,710</u>	<u>26,710</u>	<u>24,001</u>	<u>(2,709)</u>
EXPENDITURES				
Personnel services	12,879	12,879	4,782	8,097
Professional services	2,750	2,750	2,611	139
Utilities	-	-	2,748	(2,748)
Operating expenses	9,500	9,214	4,627	4,587
Interest expense	-	-	4,952	(4,952)
Total expenditures	<u>25,129</u>	<u>24,843</u>	<u>19,720</u>	<u>5,123</u>
Excess of revenues over expenditures	1,581	1,867	4,281	2,414
Fund balance, beginning of year before restatement	657,686	657,686	657,686	-
Restatement	<u>(4,206)</u>	<u>(4,206)</u>	<u>(4,206)</u>	<u>-</u>
Fund balance, beginning of year, as restated	<u>653,480</u>	<u>653,480</u>	<u>653,480</u>	<u>-</u>
Fund balance, end of year	<u>\$ 655,061</u>	<u>\$ 655,347</u>	<u>\$ 657,761</u>	<u>\$ 2,414</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 4,281	
Net changes in accounts receivables			2,950	
Net changes in accounts payable and accrued expenses			(1,680)	
Transfers			266,214	
Depreciation			<u>(30,720)</u>	
Excess of revenues over expenditures - GAAP Basis			<u>\$ 241,045</u>	

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, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 39,600	\$ 39,600	\$ 37,262	\$ (2,338)
Fees and penalties	5,100	5,100	4,792	(308)
Gross receipt taxes	8,500	8,500	7,552	(948)
Interest income	700	700	356	(344)
Total revenues	<u>53,900</u>	<u>53,900</u>	<u>49,962</u>	<u>(3,938)</u>
EXPENDITURES				
Personnel services	12,901	12,901	11,579	1,322
Professional services	35,450	35,450	32,276	3,174
Utilities	-	-	297	(297)
Operating expenses	5,570	5,570	4,185	1,385
Total expenditures	<u>53,921</u>	<u>53,921</u>	<u>48,337</u>	<u>5,584</u>
Excess (deficiency) of revenues over expenditures	(21)	(21)	1,625	1,646
Fund balance, beginning of year	<u>42,742</u>	<u>42,742</u>	<u>42,742</u>	<u>-</u>
Fund balance, end of year	<u>\$ 42,721</u>	<u>\$ 42,721</u>	<u>\$ 44,367</u>	<u>\$ 1,646</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 1,625	
Net changes in accounts receivable			6,318	
Net changes in accounts payable and accrued expenses			(184)	
Excess of revenues over expenditures - GAAP Basis			<u>\$ 7,759</u>	

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

CAPITAL PROJECTS FUND - SPECIAL APPROPRIATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Grants	\$ 338,228	\$ 681,561	\$ 625,518	\$ (56,043)
Total revenues	338,228	681,561	625,518	(56,043)
EXPENDITURES				
Current:				
Public works	348,376	635,666	1,481	634,185
Total expenditures	348,376	635,666	1,481	634,185
Excess (deficiency) of revenues over expenditures	(10,148)	45,895	624,037	(690,228)
Other financing uses				
Transfers out	-	-	(623,030)	(623,030)
Total other financing uses	-	-	(623,030)	(623,030)
Net change in fund balance	(10,148)	45,895	1,007	(44,888)
Fund balance, beginning of year, before restatement	(30,490)	(30,490)	(30,490)	-
Restatement	-	-	51,165	51,165
Fund balance, end of year, as restated	(30,490)	(30,490)	20,675	51,165
Fund balance, end of year	<u>\$ (40,638)</u>	<u>\$ 15,405</u>	<u>\$ 21,682</u>	<u>\$ 6,277</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance	\$ 1,007
Revenue accruals	44,451
Expenditure accruals	-
Excess of revenues over expenditures - GAAP Basis	<u>\$ 45,458</u>

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

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

**DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES				
Debt service				
Principal	\$ 39,477	\$ 39,477	\$ 39,477	\$ -
Interest	979	979	979	-
Total expenditures	<u>40,456</u>	<u>40,456</u>	<u>40,456</u>	<u>-</u>
Deficiency of revenues over expenditures	(40,456)	(40,456)	(40,456)	-
OTHER FINANCING (USES)				
Transfers in	40,456	40,456	43,731	3,275
Transfers out	-	-	<u>(3,275)</u>	<u>(3,275)</u>
Total other financing uses	<u>(40,456)</u>	<u>(40,456)</u>	<u>40,456</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance			\$ -	
Excess of revenues over expenditures - GAAP Basis			<u>\$ -</u>	

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

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2011**

<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location</u>
Eastern New Mexico University Revs, CUSIP#276785UA8, Maturing 4/01/2014	<u>\$ 27,583</u>	Federal Home Loan Bank of Dallas
Total pledged securities	<u>\$ 27,583</u>	

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

STATE OF NEW MEXICO
VILLAGE OF SAN JON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

Federal Grantor Pass Through Grantor Program Title	CFDA	Program or Grant Number	Award Amount	Expenditures
<i><u>Housing and Urban Development</u></i>				
<i>Passed-through Department of Finance and Administration</i>				
Community Development Block Grant	14.218	10-C-RS-I-06-G-114	\$ 50,000	\$ 34,722
Community Development Block Grant	14.218	09-C-RS-I-05-G-0	<u>500,000</u>	<u>302,530</u>
Total Housing and Urban Development			550,000	337,252
<i><u>United States Department of Agriculture</u></i>				
Water and Waste Disposal Systems for Rural Communities	10.760	USDA RD 691	<u>600,000</u>	<u>291,915</u>
Total Expenditures of Federal Awards			<u>\$ 1,150,000</u>	<u>\$ 629,167</u>

Note 1 - Basis of Presentation

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the Village of San Jon and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

COMPLIANCE SECTION

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

Hector H. Balderas, 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, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, #10-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 questioned costs as items 10-01.

The Village's response to the findings identified in our audit described in the accompanying schedule of findings and questioned costs. 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.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 30, 2011



WHITE+
SAMANIEGO+
CAMPBELL, LLP

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Village of San Jon's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Village of San Jon's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the Village, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

White + Sarmiento + Campbell, LLP

El Paso, Texas
November 30, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs

- Material weakness (es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Type of auditors' report issued on compliance with major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of Major Programs:

CFDA Number

14.218

Name of Federal Program or Cluster

HUD - Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee

Yes No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

PRIOR YEAR FINDINGS:

Section II - Financial Statements Findings

10-01 Legal Compliance with Budget

Repeated

Section III - Federal Award Findings

None

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

SECTION II - FINANCIAL STATEMENTS FINDINGS

Legal Compliance with Budget (10-01)

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, 2011, the Village remitted payments for goods and services in excess of the adopted budget as follows:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Law Enforcement Fund	\$ 9,850	\$ 9,862	\$ (12)

In addition, the Village budgeted a deficit for the following funds:

<u>Fund</u>	<u>Budgeted Deficit</u>
Senior Citizens Fund	\$ 294
Recreation Fund	35

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).

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, 2011**

The financial statements of the Village of San Jon as of, and for the year ended, June 30, 2011 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, 2011**

An exit conference was conducted November 21, 2011 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

Leo Thrasher
Darrell Musick
Cynthia Lee
Toni Emilio

Mayor Pro Tem
Trustee
Clerk
Treasurer

White + Samaniego + Campbell, LLP

Cheryl Hutton-Tellez

Staff, Audit Department