

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

**Basic Financial Statements and  
Supplementary Information  
for the Year Ended June 30, 2012  
and Independent Auditors' Report**

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

**TABLE OF CONTENTS**

---

|  | <b>Page</b> |
|--|-------------|
| DIRECTORY OF OFFICIALS   | 1           |
| INDEPENDENT AUDITORS' REPORT   | 2           |
| <b>BASIC FINANCIAL STATEMENTS:</b>   |             |
| Government-Wide Financial Statements   |             |
| Statement of Net Assets  | 5           |
| Statement of Activities  | 6           |
| Fund financial statements  |             |
| Major Government Funds   |             |
| Balance Sheet - Governmental Funds   | 7           |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  | 8           |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  | 9           |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities           | 11          |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis - General Fund                                  | 12          |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Revenue Fund - Fire Fund              | 13          |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Revenue Fund - Municipal Streets Fund | 14          |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Revenue Fund - Fire/EMS Fund          | 15          |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Revenue Fund - Senior Citizens        | 16          |
| Proprietary Funds  |             |
| Statement of Net Assets  | 17          |
| Statement of Revenues, Expenses and Changes in Net Assets  | 18          |
| Statement of Cash Flows  | 19          |
| Notes to Basic Financial Statements  | 20          |

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

**TABLE OF CONTENTS (Continued)**

---

|  | <b>Page</b> |
|--|-------------|
| <b>SUPPLEMENTARY INFORMATION</b>   |             |
| Non-Major Governmental Funds:  |             |
| Description of Nonmajor Governmental Funds   | 42          |
| Combining Balance Sheet  | 43          |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  | 44          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Revenue Fund - Law Enforcement Protection Fund | 45          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Revenue Fund - Cemetery                        | 46          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Revenue Fund - Recreation                      | 47          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Revenue Fund - Veterans Memorial Fund          | 48          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Special Revenue Fund - Quay County Gaming Authority    | 49          |
| Enterprise Funds   |             |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Proprietary Fund - Water                               | 50          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Proprietary Fund - Waste Water                         | 51          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Proprietary Fund - Solid Waste                         | 52          |
| Capital Projects Fund  |             |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis - Capital Project Fund - Special Appropriations         | 53          |
| Debt Service Fund  |             |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis - Debt Service Fund                                     | 54          |

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

**TABLE OF CONTENTS (Continued)**

---

|  | <b>Page</b> |
|--|-------------|
| <b>OTHER SUPPLEMENTAL INFORMATION</b>  |             |
| Schedule of Collateral Pledged Depository for Public Funds   | 56          |
| <b>COMPLIANCE</b>  |             |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in Accordance with <i>Government<br/>    Auditing Standards</i> | 58          |
| Prior Year Findings  | 60          |
| Financial Statement Preparation  | 61          |
| Exit Conference  | 62          |

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

**DIRECTORY OF OFFICIALS  
JUNE 30, 2012**

---

Board of Trustees

Billie Jo Barnes  
Leo Thrasher  
Darrell Musick  
Sherry Ford  
Jarrod Archuleta

Mayor  
Mayor Pro Tem  
Trustee  
Trustee  
Trustee

Other Officials

Toni Stoner  
Cynthia Lee

Village Treasurer  
Clerk

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of San Jon, New Mexico (the "Village"), as of and for the year ended June 30, 2012, 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, 2012, 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, 2012, 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, 2012, 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 28, 2012, 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.

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements, and budgetary comparisons. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 28, 2012

**BASIC FINANCIAL STATEMENTS**



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

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

|  | <b>Primary<br/>Government<br/>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>        |
|--|---|-------------------------------------|---------------------|
| <b>ASSETS</b>                                    |   |                                     |                     |
| Current assets                                   |   |                                     |                     |
| Cash and cash equivalents                        | \$ 553,344  | \$ 119,512                          | \$ 672,856          |
| Receivables, net of allowance for uncollectibles | <u>29,703</u>   | <u>22,269</u>                       | <u>51,972</u>       |
| Total current assets                             | 583,047   | 141,781                             | 724,828             |
| Noncurrent assets                                |   |                                     |                     |
| Restricted assets - cash                         | 43,204  | 5,748                               | 48,952              |
| Capital assets                                   | 3,708,261   | 4,581,340                           | 8,289,601           |
| Less accumulated depreciation                    | <u>(1,487,878)</u>  | <u>(1,269,934)</u>                  | <u>(2,757,812)</u>  |
| Total noncurrent assets                          | <u>2,263,587</u>  | <u>3,317,154</u>                    | <u>5,580,741</u>    |
| Total assets                                     | <u>\$ 2,846,634</u>   | <u>\$ 3,458,935</u>                 | <u>\$ 6,305,569</u> |
| <b>LIABILITIES</b>                               |   |                                     |                     |
| Current liabilities                              |   |                                     |                     |
| Accounts payable                                 | \$ 52,272   | \$ 23,182                           | \$ 75,454           |
| Accrued wages and benefits                       | 1,004   | -                                   | 1,004               |
| Accrued interest                                 | -   | 4,469                               | 4,469               |
| Current portion of long-term debt                | <u>33,746</u>   | <u>3,112</u>                        | <u>36,858</u>       |
| Total current liabilities                        | 87,022  | 30,763                              | 117,785             |
| Long-term liabilities:                           |   |                                     |                     |
| Non-current portion of long-term debt            | 130,601   | 191,991                             | 322,592             |
| Compensated absences                             | 3,603   | 4,175                               | 7,778               |
| Customer deposits                                | <u>-</u>  | <u>5,748</u>                        | <u>5,748</u>        |
| Total noncurrent liabilities                     | <u>134,204</u>  | <u>201,914</u>                      | <u>336,118</u>      |
| Total liabilities                                | <u>221,226</u>  | <u>232,677</u>                      | <u>453,903</u>      |
| <b>NET ASSETS</b>                                |   |                                     |                     |
| Invested in capital assets, net of related debt  | 2,056,036   | 3,116,303                           | 5,172,339           |
| Restricted : Special revenue                     | 208,307   | -                                   | 208,307             |
| Unrestricted                                     | <u>361,065</u>  | <u>109,955</u>                      | <u>471,020</u>      |
| Total net assets                                 | <u>2,625,408</u>  | <u>3,226,258</u>                    | <u>5,851,666</u>    |
| Total liabilities and net assets                 | <u>\$ 2,846,634</u>   | <u>\$ 3,458,935</u>                 | <u>\$ 6,305,569</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, 2012**

| 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             | \$ 100,228                      | \$ 487                               | \$ 36,000                                  | \$ -  | \$ (63,741)             | \$ -                     | \$ (63,741)         |
| Public safety                  | 196,397                         | -                                    | 109,493                                    | -   | (86,904)                | -                        | (86,904)            |
| Public works                   | 26,346                          | 1,540                                | -  | 467,165   | 442,359                 | -                        | 442,359             |
| Culture and recreation         | 29,744                          | -                                    | 19,750                                     | -   | (9,994)                 | -                        | (9,994)             |
| Interest on long-term debt     | 5,586                           | -                                    | -  | -   | (5,586)                 | -                        | (5,586)             |
| Total governmental activities  | <u>358,301</u>                  | <u>2,027</u>                         | <u>165,243</u>                             | <u>467,165</u>                                  | <u>276,134</u>          | <u>-</u>                 | <u>276,134</u>      |
| Business-type activities:      |                                 |                                      |  |   |                         |                          |                     |
| Water                          | 151,492                         | 67,913                               | -  | -   | -                       | (83,579)                 | (83,579)            |
| Wastewater                     | 56,536                          | 32,429                               | -  | -   | -                       | (24,107)                 | (24,107)            |
| Solid waste                    | 51,550                          | 47,253                               | -  | -   | -                       | (4,297)                  | (4,297)             |
| Total business-type activities | <u>259,578</u>                  | <u>147,595</u>                       | <u>-</u>                                   | <u>-</u>  | <u>-</u>                | <u>(111,983)</u>         | <u>(111,983)</u>    |
| Total primary government       | <u>\$ 617,879</u>               | <u>\$ 149,622</u>                    | <u>\$ 165,243</u>                          | <u>\$ 467,165</u>                               | <u>276,134</u>          | <u>(111,983)</u>         | <u>164,151</u>      |
|                                | General Revenues and Transfers: |                                      |  |   |                         |                          |                     |
|                                | Taxes:                          |                                      |  |   |                         |                          |                     |
|                                |                                 | Gross receipts                       |  |   | 108,189                 | 23,870                   | 132,059             |
|                                |                                 | Other taxes                          |  |   | 827                     | -                        | 827                 |
|                                |                                 | Gasoline                             |  |   | 30,632                  | -                        | 30,632              |
|                                |                                 | Franchise                            |  |   | 5,177                   | -                        | 5,177               |
|                                |                                 | Property                             |  |   | 10,872                  | -                        | 10,872              |
|                                |                                 | Miscellaneous                        |  |   | 34,583                  | -                        | 34,583              |
|                                |                                 | Interest income                      |  |   | 2,180                   | 419                      | 2,599               |
|                                |                                 | Transfers in (out)                   |  |   | (511,605)               | 511,605                  | -                   |
|                                |                                 | Total general revenues and transfers |  |   | <u>(319,145)</u>        | <u>535,894</u>           | <u>216,749</u>      |
|                                |                                 | Change in net assets                 |  |   | <u>(43,011)</u>         | <u>423,911</u>           | <u>380,900</u>      |
|                                |                                 | Net assets, beginning of year        |  |   | <u>2,668,419</u>        | <u>2,802,347</u>         | <u>5,470,766</u>    |
|                                |                                 | Net assets, end of year              |  |   | <u>\$ 2,625,408</u>     | <u>\$ 3,226,258</u>      | <u>\$ 5,851,666</u> |

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

STATE OF NEW MEXICO  
VILLAGE OF SAN JON

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

|                               | 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 |
|-------------------------------|--------------|-----------|-----------------------|---------------|----------------------|----------------------|-------------------|-----------------|--------------------------|
| <b>ASSETS</b>                 |              |           |                       |               |                      |                      |                   |                 |                          |
| Current assets                |              |           |                       |               |                      |                      |                   |                 |                          |
| Cash and cash equivalents     | \$ 337,460   | \$ 31,251 | \$ 74,983             | \$ -          | \$ 16                | \$ 72,474            | \$ -              | \$ 37,160       | \$ 553,344               |
| Restricted cash               | -            | 43,204    | -                     | -             | -                    | -                    | -                 | -               | 43,204                   |
| Accounts and taxes receivable | 28,531       | -         | 1,172                 | -             | -                    | -                    | -                 | -               | 29,703                   |
| Total assets                  | \$ 365,991   | \$ 74,455 | \$ 76,155             | \$ -          | \$ 16                | \$ 72,474            | \$ -              | \$ 37,160       | \$ 626,251               |

LIABILITIES AND FUND BALANCE

LIABILITIES

|                                     |            |           |           |      |        |           |      |           |            |
|-------------------------------------|------------|-----------|-----------|------|--------|-----------|------|-----------|------------|
| Current liabilities                 |            |           |           |      |        |           |      |           |            |
| Accounts payable                    | \$ 319     | \$ 62     | \$ 752    | \$ - | \$ 127 | \$ 50,850 | \$ - | \$ 162    | \$ 52,272  |
| Accrued payroll                     | 1,004      | -         | -         | -    | -      | -         | -    | -         | 1,004      |
| Total liabilities                   | 1,323      | 62        | 752       | -    | 127    | 50,850    | -    | 162       | 53,276     |
| <b>FUND BALANCES</b>                |            |           |           |      |        |           |      |           |            |
| Unassigned, reported in:            |            |           |           |      |        |           |      |           |            |
| General fund                        | 364,668    | -         | -         | -    | -      | -         | -    | -         | 364,668    |
| Restricted, reported in:            |            |           |           |      |        |           |      |           |            |
| Special revenue funds               | -          | 74,393    | 75,403    | -    | (111)  | 21,624    | -    | 36,998    | 208,307    |
| Total fund balances                 | 364,668    | 74,393    | 75,403    | -    | (111)  | 21,624    | -    | 36,998    | 572,975    |
| Total liabilities and fund balances | \$ 365,991 | \$ 74,455 | \$ 76,155 | \$ - | \$ 16  | \$ 72,474 | \$ - | \$ 37,160 | \$ 626,251 |

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, 2012**

---

Total fund balances for governmental funds \$ 572,975

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 | 3,708,261          |
| Accumulated depreciation   | <u>(1,487,878)</u> |
| Net capital assets         | 2,220,383          |

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             | (164,347)        |
| Compensated absences      | <u>(3,603)</u>   |
| Net long-term liabilities | <u>(167,950)</u> |

Net assets of governmental activities \$ 2,625,408

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, 2012

|   | 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 |
|---|----------------|---------------|-----------------------|---------------|----------------------|----------------------|-------------------|-----------------|--------------------------|
| <b>REVENUES:</b>                                  |                |               |                       |               |                      |                      |                   |                 |                          |
| Taxes:  |                |               |                       |               |                      |                      |                   |                 |                          |
| Gross receipt taxes                               | \$ 108,189     | \$ -          | \$ -                  | \$ -          | \$ -                 | \$ -                 | \$ -              | \$ -            | \$ 108,189               |
| Gas taxes   | 16,410         | -             | 14,222                | -             | -                    | -                    | -                 | -               | 30,632                   |
| Property taxes                                    | 10,872         | -             | -                     | -             | -                    | -                    | -                 | -               | 10,872                   |
| Franchise taxes                                   | 645            | -             | 4,532                 | -             | -                    | -                    | -                 | -               | 5,177                    |
| Other taxes                                       | 827            | -             | -                     | -             | -                    | -                    | -                 | -               | 827                      |
| Grants  | 36,000         | 77,163        | -                     | 12,330        | 19,750               | 467,165              | -                 | 20,000          | 632,408                  |
| Charges for services                              | -              | -             | -                     | -             | -                    | -                    | -                 | 1,540           | 1,540                    |
| Licenses and permits                              | 487            | -             | -                     | -             | -                    | -                    | -                 | -               | 487                      |
| Interest income                                   | 1,981          | 10            | 136                   | -             | -                    | -                    | -                 | 54              | 2,181                    |
| Miscellaneous                                     | 10,486         | -             | -                     | -             | -                    | 3,500                | -                 | 20,597          | 34,583                   |
| <b>Total revenues</b>                             | <b>185,897</b> | <b>77,173</b> | <b>18,890</b>         | <b>12,330</b> | <b>19,750</b>        | <b>470,665</b>       | <b>-</b>          | <b>42,191</b>   | <b>826,896</b>           |
| <b>EXPENDITURES:</b>                              |                |               |                       |               |                      |                      |                   |                 |                          |
| Current:  |                |               |                       |               |                      |                      |                   |                 |                          |
| Finance department                                | 100,228        | -             | -                     | -             | -                    | -                    | -                 | -               | 100,228                  |
| Public safety                                     | -              | 55,646        | -                     | 12,330        | -                    | -                    | -                 | -               | 67,976                   |
| Public works                                      | 186            | -             | 16,197                | -             | -                    | 3,559                | -                 | 6,404           | 26,346                   |
| Culture and recreation                            | 6,441          | -             | -                     | -             | 19,873               | -                    | -                 | 3,430           | 29,744                   |
| Capital outlay                                    | -              | -             | 26,256                | -             | -                    | 10                   | -                 | 9,870           | 36,136                   |
| Debt service:                                     |                |               |                       |               |                      |                      |                   |                 |                          |
| Principal   | -              | -             | -                     | -             | -                    | -                    | 42,973            | -               | 42,973                   |
| Interest  | -              | -             | -                     | -             | -                    | -                    | 5,586             | -               | 5,586                    |
| <b>Total expenditures</b>                         | <b>106,855</b> | <b>55,646</b> | <b>42,453</b>         | <b>12,330</b> | <b>19,873</b>        | <b>3,569</b>         | <b>48,559</b>     | <b>19,704</b>   | <b>308,989</b>           |
| Excess (deficiency) of revenues over expenditures | 79,042         | 21,527        | (23,563)              | -             | (123)                | 467,096              | (48,559)          | 22,487          | 517,907                  |

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

(Continued)

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, 2012

|                                   | 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                      | 90,261       | -         | 89,656                | 3,000         | 4,500                | -                    | 52,600            | -               | 240,017                  |
| Transfers out                     | (93,764)     | (34,906)  | (89,656)              | (3,000)       | (4,500)              | (511,605)            | (4,041)           | (10,150)        | (751,622)                |
| Total other sources (uses)        | (3,503)      | (34,906)  | -                     | -             | -                    | (511,605)            | 48,559            | (10,150)        | (511,605)                |
| Net change in fund balance        | 75,539       | (13,379)  | (23,563)              | -             | (123)                | (44,509)             | -                 | 12,337          | 6,302                    |
| Fund balance at beginning of year | 289,129      | 87,772    | 98,966                | -             | 12                   | 66,133               | -                 | 24,661          | 566,673                  |
| Fund balance at end of year       | \$ 364,668   | \$ 74,393 | \$ 75,403             | \$ -          | \$ (111)             | \$ 21,624            | \$ -              | \$ 36,998       | \$ 572,975               |

(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, 2012**

---

Net change in fund balances - total governmental funds \$ 6,302

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. 4,332

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 (142,137)  
Capital outlays 46,819

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 42,973

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. (1,300)

Change in net assets of governmental activities \$ (43,011)

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, 2012**

|   | Original<br>Budget | Final<br>Budget   | Actual on<br>Budgetary<br>Basis | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|-------------------|---------------------------------|---|
| <b>REVENUES</b>   |                    |                   |                                 |   |
| Taxes:  |                    |                   |                                 |   |
| Gross receipt taxes                                     | \$ 84,000          | \$ 84,000         | \$ 93,141                       | \$ 9,141  |
| Gas taxes   | 12,300             | 12,300            | 16,410                          | 4,110   |
| Property taxes  | 10,086             | 10,086            | 10,872                          | 786   |
| Franchise taxes   | 675                | 675               | 645                             | (30)  |
| Other taxes   | 700                | 700               | 827                             | 127   |
| License and permits                                     | 580                | 580               | 487                             | (93)  |
| Charges for services                                    | 150                | 150               | -                               | (150)   |
| Grants  | 36,000             | 36,000            | 36,000                          | -   |
| Interest income   | 2,200              | 2,200             | 1,981                           | (219)   |
| Miscellaneous   | 8,713              | 8,713             | 10,486                          | 1,773   |
| <b>Total revenues</b>                                   | <b>155,404</b>     | <b>155,404</b>    | <b>170,849</b>                  | <b>15,445</b>   |
| <b>EXPENDITURES</b>                                     |                    |                   |                                 |   |
| Current:  |                    |                   |                                 |   |
| Finance department                                      | 105,831            | 105,831           | 99,910                          | 5,921   |
| Public works  | 3,000              | 3,000             | 186                             | 2,814   |
| Culture and recreation                                  | 15,907             | 15,907            | 6,441                           | 9,466   |
| <b>Total expenditures</b>                               | <b>124,738</b>     | <b>124,738</b>    | <b>106,537</b>                  | <b>18,201</b>   |
| <b>Excess of revenues over expenditures</b>             | <b>30,666</b>      | <b>30,666</b>     | <b>64,312</b>                   | <b>33,646</b>   |
| Other financing sources (uses)                          |                    |                   |                                 |   |
| Transfers in  | 7,500              | 7,500             | 90,261                          | 82,761  |
| Transfers out   | (11,064)           | (11,064)          | (93,764)                        | (82,700)  |
| <b>Total other financing other sources (uses)</b>       | <b>(3,564)</b>     | <b>(3,564)</b>    | <b>(3,503)</b>                  | <b>61</b>   |
| <b>Net change in fund balance</b>                       | <b>27,102</b>      | <b>27,102</b>     | <b>60,809</b>                   | <b>33,707</b>   |
| <b>Fund balance beginning of year</b>                   | <b>276,684</b>     | <b>276,684</b>    | <b>276,684</b>                  | <b>-</b>  |
| <b>Fund balance end of year</b>                         | <b>\$ 303,786</b>  | <b>\$ 303,786</b> | <b>\$ 337,493</b>               | <b>\$ 33,707</b>  |
| <b>Reconciliation of Budgetary Basis to GAAP Basis:</b> |                    |                   |                                 |   |
| Net changes in fund balance budgetary basis             |                    |                   | \$ 60,809                       |   |
| Revenue accruals  |                    |                   | 15,048                          |   |
| Expenditure accruals                                    |                    |                   | (318)                           |   |
| Net change in fund balance - GAAP basis                 |                    |                   | <u>\$ 75,539</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, 2012**

|                                      | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual on<br/>Budgetary<br/>Basis</b> | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|--------------------------------------|----------------------------|-------------------------|--|---|
| <b>REVENUES</b>                      |                            |                         |  |   |
| Taxes:                               |                            |                         |  |   |
| Grant                                | \$ 55,511                  | \$ 71,000               | \$ 77,163                                | \$ 6,163  |
| Interest income                      | -                          | -                       | 10                                       | 10  |
| Total revenues                       | <u>55,511</u>              | <u>71,000</u>           | <u>77,173</u>                            | <u>6,173</u>                                    |
| <b>EXPENDITURES</b>                  |                            |                         |  |   |
| Current:                             |                            |                         |  |   |
| Public safety                        | <u>28,768</u>              | <u>74,392</u>           | <u>55,584</u>                            | <u>18,808</u>                                   |
| Total expenditures                   | <u>28,768</u>              | <u>74,392</u>           | <u>55,584</u>                            | <u>18,808</u>                                   |
| Excess of revenues over expenditures | 26,743                     | (3,392)                 | 21,589                                   | 24,981  |
| Other financing uses                 |                            |                         |  |   |
| Transfers out                        | <u>(26,743)</u>            | <u>(26,743)</u>         | <u>(34,906)</u>                          | <u>(8,163)</u>                                  |
| Total other financing other uses     | <u>(26,743)</u>            | <u>(26,743)</u>         | <u>(34,906)</u>                          | <u>(8,163)</u>                                  |
| Net change in fund balance           | -                          | (30,135)                | (13,317)                                 | 16,818  |
| Fund balance beginning of year       | 87,772                     | 87,772                  | 87,772                                   | -   |
| Fund balance end of year             | <u>\$ 87,772</u>           | <u>\$ 57,637</u>        | <u>\$ 74,455</u>                         | <u>\$ 16,818</u>                                |

**Reconciliation of Budgetary Basis to GAAP Basis:**

|   |                    |
|---|--------------------|
| Net changes in fund balance             | \$ (13,317)        |
| Expenditure accruals                    | <u>(62)</u>        |
| Net change in fund balance - GAAP basis | <u>\$ (13,379)</u> |

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

STATE OF NEW MEXICO  
VILLAGE OF SAN JON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS  
SPECIAL REVENUE FUND - MUNICIPAL STREETS FUND  
FOR THE YEAR ENDED JUNE 30, 2012

|   | Original<br>Budget | Final<br>Budget | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------|-----------------|---------------------------------|--|
| <b>REVENUES</b>   |                    |                 |                                 |  |
| Taxes:  |                    |                 |                                 |  |
| Gas taxes   | \$ 16,000          | \$ 16,000       | \$ 14,338                       | \$ (1,662)                             |
| Franchise taxes   | -                  | -               | 4,532                           | 4,532                                  |
| Interest income   | -                  | -               | 136                             | 136                                    |
| Miscellaneous   | 4,900              | 44,000          | -                               | (44,000)                               |
| Total revenues  | 20,900             | 60,000          | 19,006                          | (40,994)                               |
| <b>EXPENDITURES</b>                                     |                    |                 |                                 |  |
| Current:  |                    |                 |                                 |  |
| Public works  | 20,059             | 20,059          | 15,445                          | 4,614                                  |
| Capital outlay  | -                  | 39,941          | 26,256                          | 13,685                                 |
| Total expenditures                                      | 20,059             | 60,000          | 41,701                          | 18,299                                 |
| Excess of revenues over expenditures                    | 841                | -               | (22,695)                        | (22,695)                               |
| Other financing uses                                    |                    |                 |                                 |  |
| Transfers in (out)                                      | -                  | -               | -                               | -                                      |
| Total other uses  | -                  | -               | -                               | -                                      |
| Net changes in fund balance                             | 841                | -               | (22,695)                        | (22,695)                               |
| Fund balance beginning of year                          | 98,966             | 98,966          | 98,966                          | -                                      |
| Fund balance end of year                                | \$ 99,807          | \$ 98,966       | \$ 76,271                       | \$ (22,695)                            |
| <b>Reconciliation of Budgetary Basis to GAAP Basis:</b> |                    |                 |                                 |  |
| Net changes in fund balance                             |                    |                 | \$ (22,695)                     |  |
| Revenue accruals  |                    |                 | (116)                           |  |
| Expenditure accruals                                    |                    |                 | (752)                           |  |
| Net change in fund balance - GAAP basis                 |                    |                 | \$ (23,563)                     |  |

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, 2012

|  | Original<br>Budget | Final<br>Budget | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|-----------------|---------------------------------|--|
| <b>REVENUES</b>  |                    |                 |                                 |  |
| Grants   | \$ 12,329          | \$ 12,330       | \$ 12,330                       | \$ -                                   |
| Total revenues   | 12,329             | 12,330          | 12,330                          | -                                      |
| <b>EXPENDITURES</b>                                    |                    |                 |                                 |  |
| Current  |                    |                 |                                 |  |
| Public safety  | 12,329             | 12,330          | 12,330                          | -                                      |
| Total expenditures                                     | 12,329             | 12,330          | 12,330                          | -                                      |
| 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                              | \$ -               | \$ -            | \$ -                            | \$ -                                   |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b> |                    |                 |                                 |  |
| Net changes in fund balance                            |                    |                 | \$ -                            |  |
| Net change in fund balance - 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, 2012

|                                      | Original<br>Budget | Final<br>Budget | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|--------------------------------------|--------------------|-----------------|---------------------------------|--|
| <b>REVENUES</b>                      |                    |                 |                                 |  |
| Grants                               | \$ 19,750          | \$ 19,750       | \$ 19,750                       | \$ -                                   |
| Total revenues                       | 19,750             | 19,750          | 19,750                          | -                                      |
| <b>EXPENDITURES</b>                  |                    |                 |                                 |  |
| Current:                             |                    |                 |                                 |  |
| Culture and recreation               | 19,750             | 19,750          | 19,747                          | 3                                      |
| Total expenditures                   | 19,750             | 19,750          | 19,747                          | 3                                      |
| Excess of revenues over expenditures | -                  | -               | 3                               | 3                                      |
| 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           | -                  | -               | 3                               | 3                                      |
| Fund balance, beginning of year      | 12                 | 12              | 12                              | -                                      |
| Fund balance, end of year            | \$ 12              | \$ 12           | \$ 15                           | \$ 3                                   |

**Reconciliation of Budgetary Basis to GAAP Basis**

|   |          |
|---|----------|
| Net changes in fund balance             | \$ 3     |
| Expenditure accruals                    | (126)    |
| Net change in fund balance - GAAP basis | \$ (123) |

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, 2012**

|   | <u>Water</u>        | <u>Waste<br/>Water</u> | <u>Solid<br/>Waste</u> | <u>Total</u>        |
|---|---------------------|------------------------|------------------------|---------------------|
| <b>ASSETS</b>                                   |                     |                        |                        |                     |
| Current assets                                  |                     |                        |                        |                     |
| Cash and cash equivalents                       | \$ 39,865           | \$ 26,292              | \$ 53,355              | \$ 119,512          |
| Accounts receivable                             | <u>11,827</u>       | <u>2,632</u>           | <u>7,810</u>           | <u>22,269</u>       |
| Total current assets                            | <u>51,692</u>       | <u>28,924</u>          | <u>61,165</u>          | <u>141,781</u>      |
| Noncurrent assets                               |                     |                        |                        |                     |
| Customer deposits                               | 5,748               | -                      | -                      | 5,748               |
| Capital assets                                  | 3,083,282           | 1,443,015              | 55,043                 | 4,581,340           |
| Less accumulated depreciation and amortization  | <u>(807,579)</u>    | <u>(407,312)</u>       | <u>(55,043)</u>        | <u>(1,269,934)</u>  |
| Total noncurrent assets                         | <u>2,281,451</u>    | <u>1,035,703</u>       | <u>-</u>               | <u>3,317,154</u>    |
| Total assets                                    | <u>\$ 2,333,143</u> | <u>\$ 1,064,627</u>    | <u>\$ 61,165</u>       | <u>\$ 3,458,935</u> |
| <b>LIABILITIES</b>                              |                     |                        |                        |                     |
| Current liabilities                             |                     |                        |                        |                     |
| Accounts payable                                | \$ 533              | \$ 19,940              | \$ 2,709               | \$ 23,182           |
| Accrued expenses                                | 2,583               | 1,691                  | 195                    | 4,469               |
| Notes payable within one year                   | <u>1,000</u>        | <u>2,112</u>           | <u>-</u>               | <u>3,112</u>        |
| Total current liabilities                       | 4,116               | 23,743                 | 2,904                  | 30,763              |
| Noncurrent liabilities                          |                     |                        |                        |                     |
| Notes payable, net of current portion           | 72,434              | 119,557                | -                      | 191,991             |
| Customer deposits                               | 5,748               | -                      | -                      | 5,748               |
| Accrued compensated absences                    | <u>1,921</u>        | <u>1,127</u>           | <u>1,127</u>           | <u>4,175</u>        |
| Total noncurrent liabilities                    | <u>80,103</u>       | <u>120,684</u>         | <u>1,127</u>           | <u>201,914</u>      |
| Total liabilities                               | 84,219              | 144,427                | 4,031                  | 232,677             |
| <b>NET ASSETS</b>                               |                     |                        |                        |                     |
| Invested in capital assets, net of related debt | 2,202,269           | 914,034                | -                      | 3,116,303           |
| Unrestricted                                    | <u>46,655</u>       | <u>6,166</u>           | <u>57,134</u>          | <u>109,955</u>      |
| Total net assets                                | <u>\$ 2,248,924</u> | <u>\$ 920,200</u>      | <u>\$ 57,134</u>       | <u>\$ 3,226,258</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, 2012**

|  | <u>Water</u>        | <u>Waste<br/>Water</u> | <u>Solid<br/>Waste</u> | <u>Total</u>        |
|--|---------------------|------------------------|------------------------|---------------------|
| Operating revenues                     |                     |                        |                        |                     |
| Sales and service                      | \$ 65,269           | \$ 29,463              | \$ 42,168              | \$ 136,900          |
| Fees and penalties                     | <u>2,644</u>        | <u>2,966</u>           | <u>5,085</u>           | <u>10,695</u>       |
| Total operating revenues               | <u>67,913</u>       | <u>32,429</u>          | <u>47,253</u>          | <u>147,595</u>      |
| Operating expenses                     |                     |                        |                        |                     |
| Personnel services                     | 22,590              | 10,815                 | 11,023                 | 44,428              |
| Professional services                  | 41,216              | 2,284                  | 35,908                 | 79,408              |
| Utilities                              | 8,271               | 2,868                  | 389                    | 11,528              |
| Operating expenses                     | 9,990               | 4,769                  | 4,230                  | 18,989              |
| Depreciation expense                   | <u>65,075</u>       | <u>30,399</u>          | <u>-</u>               | <u>95,474</u>       |
| Total operating expenses               | <u>147,142</u>      | <u>51,135</u>          | <u>51,550</u>          | <u>249,827</u>      |
| Operating loss                         | <u>(79,229)</u>     | <u>(18,706)</u>        | <u>(4,297)</u>         | <u>(102,232)</u>    |
| Nonoperating revenues (expenses)       |                     |                        |                        |                     |
| Gross receipts tax                     | 13,261              | -                      | 10,609                 | 23,870              |
| Grants                                 | -                   | -                      | -                      | -                   |
| Interest income                        | 86                  | 12                     | 321                    | 419                 |
| Interest expense                       | <u>(4,350)</u>      | <u>(5,401)</u>         | <u>-</u>               | <u>(9,751)</u>      |
| Total nonoperating revenues (expenses) | <u>8,997</u>        | <u>(5,389)</u>         | <u>10,930</u>          | <u>14,538</u>       |
| Change in net assets                   | (70,232)            | (24,095)               | 6,633                  | (87,694)            |
| Other financing sources                |                     |                        |                        |                     |
| Transfers in                           | 470,950             | 49,770                 | -                      | 520,720             |
| Transfers out                          | <u>(9,115)</u>      | <u>-</u>               | <u>-</u>               | <u>(9,115)</u>      |
| Total other sources                    | <u>461,835</u>      | <u>49,770</u>          | <u>-</u>               | <u>511,605</u>      |
| Net change in net assets               | 391,603             | 25,675                 | 6,633                  | 423,911             |
| Net assets, beginning of year          | <u>1,857,321</u>    | <u>894,525</u>         | <u>50,501</u>          | <u>2,802,347</u>    |
| Net assets, end of year                | <u>\$ 2,248,924</u> | <u>\$ 920,200</u>      | <u>\$ 57,134</u>       | <u>\$ 3,226,258</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, 2012**

|  | Water              | Waste<br>Water   | Solid<br>Waste    | Total              |
|--|--------------------|------------------|-------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                       |                    |                  |                   |                    |
| Cash received from customers   | \$ 67,649          | 32,747           | \$ 45,761         | \$ 146,157         |
| Cash payments to suppliers and employees   | (102,441)          | (23,807)         | (48,641)          | (174,889)          |
| Net cash provided by (used in) operating activities                                | (34,792)           | 8,940            | (2,880)           | (28,732)           |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>                           |                    |                  |                   |                    |
| Taxes  | 13,261             | -                | 10,609            | 23,870             |
| Net cash provided by non-capital financing activities                              | 13,261             | -                | 10,609            | 23,870             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                   |                    |                  |                   |                    |
| Acquisition of property and equipment  | (440,597)          | (46,314)         | -                 | (486,911)          |
| Transfers  | 461,835            | 49,770           | -                 | 511,605            |
| Principal payments   | (1,000)            | (2,000)          | -                 | (3,000)            |
| Interest payments  | (4,350)            | (5,401)          | -                 | (9,751)            |
| Net cash provided by (used in) capital and related financing activities            | 15,888             | (3,945)          | -                 | 11,943             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                       |                    |                  |                   |                    |
| Interest received  | 86                 | 12               | 321               | 419                |
| Net cash provided by investing activities  | 86                 | 12               | 321               | 419                |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                        | (5,557)            | 5,007            | 8,050             | 7,500              |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                | 45,422             | 21,285           | 45,305            | 112,012            |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                                      | <u>\$ 39,865</u>   | <u>\$ 26,292</u> | <u>\$ 53,355</u>  | <u>\$ 119,512</u>  |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) OPERATING ACTIVITIES</b> |                    |                  |                   |                    |
| Operating loss   | \$ (79,229)        | (18,706)         | \$ (4,297)        | \$ (102,232)       |
| Adjustment to reconcile operating loss to net cash used in operating activities:   |                    |                  |                   |                    |
| Depreciation   | 65,075             | 30,399           | -                 | 95,474             |
| Change in:   |                    |                  |                   |                    |
| Accounts receivable  | (264)              | 318              | (1,492)           | (1,438)            |
| Accounts payable   | (20,717)           | (3,271)          | 2,709             | (21,279)           |
| Accrued expenses   | 19                 | 11               | 11                | 41                 |
| Compensated absences   | 324                | 189              | 189               | 702                |
| Total adjustments  | 44,437             | 27,646           | 1,417             | 73,500             |
| Net cash used in operating activities  | <u>\$ (34,792)</u> | <u>\$ 8,940</u>  | <u>\$ (2,880)</u> | <u>\$ (28,732)</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, 2012**

---

**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, 2012.

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.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. 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.

| <b>Wells Fargo</b>            |    | <b>Balance Per</b> | <b>Reconciled</b> |             |
|-------------------------------|----|--------------------|-------------------|-------------|
| <b><u>Name of Account</u></b> |    | <b>Bank</b>        | <b>Balance</b>    | <b>Type</b> |
|                               |    | <b>06/30/12</b>    |                   |             |
| General Fund                  | \$ | 51,351             | \$ 51,351         | Checking    |
| Street Fund Savings           |    | 41,219             | 41,219            | Savings     |
| Water Reserve                 |    | 1,086              | 1,096             | Savings     |
| Total Deposited               |    | 93,656             | <u>\$ 93,666</u>  |             |
| Less: FDIC Coverage           |    | <u>(93,656)</u>    |                   |             |
| Uninsured amount              |    | -                  |                   |             |
| 50% collateral requirement    |    | -                  |                   |             |
| Pledged securities            |    | -                  |                   |             |
| Over (under) requirement      | \$ | <u>-</u>           |                   |             |

| <b>Citizens Bank</b>          |    | <b>Balance Per</b> | <b>Reconciled</b> |             |
|-------------------------------|----|--------------------|-------------------|-------------|
| <b><u>Name of Account</u></b> |    | <b>Bank</b>        | <b>Balance</b>    | <b>Type</b> |
|                               |    | <b>06/30/12</b>    |                   |             |
| Fire Department               | \$ | 2,302              | \$ 2,302          | Savings     |
| Waste Water                   |    | 1,589              | 1,589             | Savings     |
| Solid Waste                   |    | 1,091              | 1,091             | Savings     |
| Water Deposits                |    | 9,913              | 9,913             | Savings     |
| Cemetery                      |    | 12,431             | 12,431            | Savings     |
| Total Deposited               |    | 27,326             | <u>\$ 27,326</u>  |             |
| Less: FDIC Coverage           |    | <u>(27,326)</u>    |                   |             |
| Uninsured amount              |    | -                  |                   |             |
| 50% collateral requirement    |    | -                  |                   |             |
| Pledged securities            |    | -                  |                   |             |
| Over (under) requirement      | \$ | <u>-</u>           |                   |             |

| <b>Tucumcari Federal Savings &amp; Loan</b> |    | <b>Balance Per</b> | <b>Reconciled</b> |             |
|---|----|--------------------|-------------------|-------------|
| <b><u>Name of Account</u></b>               |    | <b>Bank</b>        | <b>Balance</b>    | <b>Type</b> |
|   |    | <b>06/30/12</b>    |                   |             |
| General Fund                                | \$ | 41,944             | \$ 41,944         | CD          |
| Total Deposited                             |    | 41,944             | <u>\$ 41,944</u>  |             |
| Less: FDIC Coverage                         |    | <u>(41,944)</u>    |                   |             |
| Uninsured amount                            |    | -                  |                   |             |
| 50% collateral requirement                  |    | -                  |                   |             |
| Pledged securities                          |    | 17,984             |                   |             |
| Over (under) requirement                    | \$ | <u>17,984</u>      |                   |             |

| <b>First National Bank</b>   |  |                               |             |
|------------------------------|--|-------------------------------|-------------|
| <u>Name of Account</u>       | <b>Balance Per<br/>Bank<br/>06/30/12</b> | <b>Reconciled<br/>Balance</b> | <b>Type</b> |
| Operating Account            | \$ 365,534                               | \$ 356,767                    | Checking    |
| General Fund                 | 20,261                                   | 20,261                        | CD          |
| Quay County Gaming Authority | 17,589                                   | 17,589                        | Checking    |
| Quay County Gaming Authority | 208                                      | 208                           | Savings     |
| Street Department            | 50,851                                   | 50,851                        | CD          |
| Total Deposited              | 454,443                                  | <u>\$ 445,676</u>             |             |
| Less: FDIC Coverage          | (333,450)                                |                               |             |
| Uninsured amount             | 120,993                                  |                               |             |
| 50% collateral requirement   | 60,496                                   |                               |             |
| Pledged securities           | 137,662                                  |                               |             |
| Over (under) requirement     | <u>\$ 77,166</u>                         |                               |             |

| <b>Quay Schools FCU</b>    |  |                               |             |
|----------------------------|--|-------------------------------|-------------|
| <u>Name of Account</u>     | <b>Balance Per<br/>Bank<br/>06/30/12</b> | <b>Reconciled<br/>Balance</b> | <b>Type</b> |
| Solid Waste                | \$ 21,585                                | \$ 21,578                     | CD          |
| General Fund               | 42,669                                   | 42,666                        | CD          |
| Total Deposited            | 64,254                                   | <u>\$ 64,244</u>              |             |
| Less: FDIC Coverage        | (64,254)                                 |                               |             |
| Uninsured amount           | -  |                               |             |
| 50% collateral requirement | -  |                               |             |
| Pledged securities         | -  |                               |             |
| Over (under) requirement   | <u>\$ -</u>                              |                               |             |

| <b>NMFA</b>                 |  |                               |             |
|-----------------------------|--|-------------------------------|-------------|
| <u>Name of Account</u>      | <b>Balance Per<br/>Bank<br/>06/30/12</b> | <b>Reconciled<br/>Balance</b> | <b>Type</b> |
| Restricted Cash - NMFA Loan | <u>\$ 48,952</u>                         | <u>\$ 48,952</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     | \$ 26,679         | 4/01/2014            | FHLB Dallas, TX |
| Belen NM Consol Sch Dist | 077581MZ6     | 110,983           | 8/01/2015            | FHLB Dallas, TX |
|                          |               | <u>\$ 137,662</u> |                      |                 |

The following securities are pledged at Tucumcari Federal:

| <u>Description</u> | <u>CUSIP#</u> | <u>Fair Value</u> | <u>Maturity Date</u> | <u>Location</u> |
|--------------------|---------------|-------------------|----------------------|-----------------|
| FHLMC Arm 606070   | 31348HW79     | \$ <u>17,984</u>  | 4/1/2018             | FHLB Dallas, TX |
|                    |               | \$ <u>17,984</u>  |                      |                 |

**Custodial Credit Risk-Deposits**

**Depository Account**

**Bank Balance**

Custodial credit risk is the risk that in the event of a failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$120,993 of the Village's bank balance of \$439,637, was exposed to custodial credit risk as follows:

|   |                   |
|---|-------------------|
| Insured   | \$ 439,637        |
| Uninsured and collateral held by pledging banks trust department not in the Village's name. | <u>120,993</u>    |
| Total Deposits  | <u>\$ 560,630</u> |

**3. CAPITAL ASSETS**

*Changes in Capital Assets*-Capital asset activity for the City's primary government for the year ended June 30, 2012, was as follows:

|                                       | <u>Beginning Balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Transfer/ Adjustments</u> | <u>Ending Balance</u> |
|---------------------------------------|--------------------------|--------------------|------------------|------------------------------|-----------------------|
| <b>Government activities:</b>         |                          |                    |                  |                              |                       |
| Capital assets not being depreciated: |                          |                    |                  |                              |                       |
| Land                                  | \$ 59,816                | \$ -               | \$ -             | \$ -                         | \$ 59,816             |
| Construction in progress              | <u>-</u>                 | <u>26,256</u>      | <u>-</u>         | <u>-</u>                     | <u>26,256</u>         |
| Total capital assets not depreciated  | <u>59,816</u>            | <u>26,256</u>      | <u>-</u>         | <u>-</u>                     | <u>86,072</u>         |
| Capital Assets, being depreciated     |                          |                    |                  |                              |                       |
| Buildings and improvements            | 2,614,898                | -                  | -                | -                            | 2,614,898             |
| Equipment                             | 823,726                  | 20,563             | -                | -                            | 844,289               |
| Infrastructure                        | <u>163,002</u>           | <u>-</u>           | <u>-</u>         | <u>-</u>                     | <u>163,002</u>        |
| Total capital assets, depreciated     | <u>3,601,626</u>         | <u>20,563</u>      | <u>-</u>         | <u>-</u>                     | <u>3,622,189</u>      |
| Total capital assets                  | <u>3,661,442</u>         | <u>46,819</u>      | <u>-</u>         | <u>-</u>                     | <u>3,708,261</u>      |
| Less accumulated depreciation for:    |                          |                    |                  |                              |                       |
| Buildings and improvements            | 329,959                  | 32,152             | -                | -                            | 362,111               |
| Equipment                             | 935,138                  | 95,484             | -                | -                            | 1,030,622             |
| Infrastructure                        | <u>80,644</u>            | <u>14,501</u>      | <u>-</u>         | <u>-</u>                     | <u>95,145</u>         |
| Total accumulated depreciation        | <u>1,345,741</u>         | <u>142,137</u>     | <u>-</u>         | <u>-</u>                     | <u>1,487,878</u>      |
| Total other capital assets, net       | <u>\$ 2,315,701</u>      | <u>\$ (95,318)</u> | <u>\$ -</u>      | <u>\$ -</u>                  | <u>\$ 2,220,383</u>   |

Depreciation expense was charged to governmental activities as follows:

|                                |                       |
|--------------------------------|-----------------------|
| General Government             | \$ 13,899             |
| Public Safety                  | 99,684                |
| Public Works                   | 14,090                |
| Culture & Recreation           | <u>14,464</u>         |
| <br>Total depreciation expense | <br><u>\$ 142,137</u> |

**Water**

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Decreases</u> | <u>Transfer/<br/>Adjustments</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|-------------------|------------------|----------------------------------|---------------------------|
| <b>Business-type activities:</b>        |                              |                   |                  |                                  |                           |
| Capital assets not being depreciated:   |                              |                   |                  |                                  |                           |
| Land                                    | \$ 61,599                    | \$ -              | \$ -             | \$ -                             | \$ 61,599                 |
| Construction in progress                | <u>34,722</u>                | <u>-</u>          | <u>-</u>         | <u>(34,722)</u>                  | <u>-</u>                  |
| Total capital assets not depreciated    | <u>96,321</u>                | <u>-</u>          | <u>-</u>         | <u>(34,722)</u>                  | <u>61,599</u>             |
| Other Capital Assets                    |                              |                   |                  |                                  |                           |
| Water System                            | 2,478,400                    | 475,329           | -                | -                                | 2,953,729                 |
| Equipment                               | <u>67,954</u>                | <u>-</u>          | <u>-</u>         | <u>-</u>                         | <u>67,954</u>             |
| Total capital assets at cost            | <u>2,546,354</u>             | <u>475,329</u>    | <u>-</u>         | <u>-</u>                         | <u>3,021,683</u>          |
| Total capital assets                    | <u>2,642,675</u>             | <u>475,329</u>    | <u>-</u>         | <u>(34,722)</u>                  | <u>3,083,282</u>          |
| Less accumulated depreciation           |                              |                   |                  |                                  |                           |
| Buildings and improvements              | 711,855                      | 61,677            | -                | -                                | 773,532                   |
| Equipment                               | <u>30,649</u>                | <u>3,398</u>      | <u>-</u>         | <u>-</u>                         | <u>34,047</u>             |
| Total capital assets depreciated, net   | <u>742,504</u>               | <u>65,075</u>     | <u>-</u>         | <u>-</u>                         | <u>807,579</u>            |
| Business-type activities capital assets | <u>\$ 1,900,171</u>          | <u>\$ 410,254</u> | <u>\$ -</u>      | <u>\$ (34,722)</u>               | <u>\$ 2,275,703</u>       |

**Waste Water**

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Decreases</u> | <u>Transfer/<br/>Adjustments</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|-------------------|------------------|----------------------------------|---------------------------|
| <b>Business-type activities:</b>        |                              |                   |                  |                                  |                           |
| System                                  | \$ 1,100,276                 | \$ 335,739        | \$ -             | \$ -                             | \$ 1,436,015              |
| Construction in progress                | 289,425                      | -                 | -                | (289,425)                        | -                         |
| Equipment                               | <u>7,000</u>                 | <u>-</u>          | <u>-</u>         | <u>-</u>                         | <u>7,000</u>              |
| Total capital assets                    | <u>1,396,701</u>             | <u>335,739</u>    | <u>-</u>         | <u>(289,425)</u>                 | <u>1,443,015</u>          |
| Less accumulated depreciation           |                              |                   |                  |                                  |                           |
| Improvements                            | 369,913                      | 30,399            | -                | -                                | 400,312                   |
| Equipment                               | <u>7,000</u>                 | <u>-</u>          | <u>-</u>         | <u>-</u>                         | <u>7,000</u>              |
| Total accumulated depreciation          | <u>376,913</u>               | <u>30,399</u>     | <u>-</u>         | <u>-</u>                         | <u>407,312</u>            |
| Business-type activities capital assets | <u>\$ 1,019,788</u>          | <u>\$ 305,340</u> | <u>\$ -</u>      | <u>\$ (289,425)</u>              | <u>\$ 1,035,703</u>       |

**Solid Waste**

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| <b>Business-type activities:</b>             |                              |                  |                  |                           |
| 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 | \$ -                         | \$ -             | \$ -             | \$ -                      |

**4. LONG-TERM DEBT**

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

|                         | <u>Balance<br/>6/30/11</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>06/30/12</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|-------------------------|----------------------------|------------------|-------------------|-----------------------------|--|
| Governmental Activities |                            |                  |                   |                             |  |
| Notes payable           | \$ 207,320                 | \$ -             | \$ 42,973         | \$ 164,347                  | \$ 33,746                                  |
| Total notes payable     | 207,320                    | -                | 42,973            | 164,347                     | 33,746                                     |
| Other liabilities       |                            |                  |                   |                             |  |
| Compensated absences    | 2,303                      | 2,840            | 1,540             | 3,603                       | -  |
| Total other liabilities | 2,303                      | 2,840            | 1,540             | 3,603                       | -  |
| Total                   | \$ 209,623                 | \$ 2,840         | \$ 44,513         | \$ 167,950                  | \$ 33,746                                  |

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, 2012, including administrative costs are as follows:

|      | <u>Principal</u> | <u>Admin Fee</u> | <u>Total</u> |
|------|------------------|------------------|--------------|
| 2013 | \$ 3,546         | \$ 4             | \$ 3,550     |
|      | \$ 3,546         | \$ 4             | \$ 3,550     |

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, 2012, including interest payments are as follows:

|      | <u>Principal</u>  | <u>Admin Fee</u> | <u>Total</u>      |
|------|-------------------|------------------|-------------------|
| 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            |
| 2017 | <u>34,237</u>     | <u>2,191</u>     | <u>36,428</u>     |
|      | <u>\$ 160,801</u> | <u>\$ 18,208</u> | <u>\$ 179,009</u> |

**Proprietary Funds**

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

|                                 | <u>Balance<br/>6/30/11</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>06/30/12</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|---------------------------------|----------------------------|------------------|-------------------|-----------------------------|--|
| <b>Business-type activities</b> |                            |                  |                   |                             |  |
| Bonds payable                   | \$ 198,103                 | \$ -             | \$ 3,000          | \$ 195,103                  | \$ 3,112                                   |
| Compensated absences            | <u>3,474</u>               | <u>3,813</u>     | <u>3,112</u>      | <u>4,175</u>                | <u>-</u>                                   |
| Long-term                       | <u>\$ 201,577</u>          | <u>\$ 3,813</u>  | <u>\$ 6,112</u>   | <u>\$ 199,278</u>           | <u>\$ 3,112</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, 2012, including interest payments are as follows:

|             | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-------------|-------------------|------------------|-------------------|
| 2013        | \$ 2,112          | \$ 3,345         | \$ 5,457          |
| 2014        | 2,170             | 3,286            | 5,456             |
| 2015        | 2,229             | 3,226            | 5,455             |
| 2016        | 2,290             | 3,165            | 5,455             |
| 2017        | 2,354             | 3,102            | 5,456             |
| 2018 - 2022 | 12,775            | 14,505           | 27,280            |
| 2023 - 2027 | 14,631            | 12,649           | 27,280            |
| 2028 - 2032 | 16,756            | 10,524           | 27,280            |
| 2033 - 2037 | 19,190            | 8,090            | 27,280            |
| 2038 - 2042 | 21,978            | 5,302            | 27,280            |
| 2043 - 2047 | 25,184            | 2,150            | 27,334            |
|             | <u>\$ 121,669</u> | <u>\$ 69,344</u> | <u>\$ 191,013</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, 2012, including interest payments are as follows:

|             | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>      |
|-------------|------------------|------------------|-------------------|
| 2013        | \$ 1,000         | \$ 3,260         | \$ 4,260          |
| 2014        | 1,000            | 3,220            | 4,220             |
| 2015        | 1,000            | 3,170            | 4,170             |
| 2016        | 1,000            | 3,130            | 4,130             |
| 2017        | 1,000            | 3,080            | 4,080             |
| 2018 - 2022 | 8,000            | 14,690           | 22,690            |
| 2023 - 2027 | 10,000           | 12,700           | 22,700            |
| 2028 - 2032 | 11,000           | 10,450           | 21,450            |
| 2033 - 2037 | 15,000           | 7,540            | 22,540            |
| 2038 - 2042 | 18,000           | 4,020            | 22,020            |
| 2043 - 2047 | 6,434            | 290              | 6,724             |
|             | <u>\$ 73,434</u> | <u>\$ 65,550</u> | <u>\$ 138,984</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, 2012 employer contributions were \$2,536.

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, 2012, were as follows:

|                      | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|----------------------|------------------------------------|-------------------------------------|
| Accounts receivable  | \$ -                               | \$ 16,122                           |
| Gasoline taxes       | 2,480                              | -                                   |
| Gross receipts taxes | <u>27,223</u>                      | <u>6,147</u>                        |
|                      | <u>\$ 29,703</u>                   | <u>\$ 22,269</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, 2012 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          | \$ 90,261    | \$ 93,764     |
| Fire Fund             | -            | 34,906        |
| Fire/EMS Fund         | 3,000        | 3,000         |
| Senior Citizens Fund  | 4,500        | 4,500         |
| Capital Projects Fund | -            | 511,605       |
| Debt Service Fund     | 52,600       | 4,041         |
| Law Enforcement Fund  | -            | 10,150        |
| Municipal Street      | 89,656       | 89,656        |
| Water Fund            | 470,950      | 9,115         |
| Waste Water Fund      | 49,770       | -             |
|                       | <hr/>        | <hr/>         |
| Total                 | \$ 760,737   | \$ 760,737    |

**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, 2012. 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 Tukumcari 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 Tukumcari 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 Tukumcari: \$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 Tukumcari 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. DEFICIT FUND BALANCE**

The Village has a deficit fund balance of \$111 in the Senior Citizens Fund. The cause of the deficit is unknown. Money will be transferred to the fund to increase the fund balance and eliminate the deficit.

Supplemental Information Related to Non-Major Funds

The following information is provided for the non-major funds of the State of California for the fiscal year ended June 30, 2011.

The following information is provided for the non-major funds of the State of California for the fiscal year ended June 30, 2011.

The following information is provided for the non-major funds of the State of California for the fiscal year ended June 30, 2011.

**SUPPLEMENTAL INFORMATION RELATED**

**TO NON MAJOR FUNDS**

The following information is provided for the non-major funds of the State of California for the fiscal year ended June 30, 2011.

The following information is provided for the non-major funds of the State of California for the fiscal year ended June 30, 2011.

The following information is provided for the non-major funds of the State of California for the fiscal year ended June 30, 2011.

## 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, 2012

|                                     | Law<br>Enforcement | Cemetery  | Recreation | Veterans<br>Memorial | Quay County<br>Gaming<br>Authority | Total     |
|-------------------------------------|--------------------|-----------|------------|----------------------|------------------------------------|-----------|
| <b>ASSETS</b>                       |                    |           |            |                      |                                    |           |
| Cash and cash equivalents           | \$ -               | \$ 17,570 | \$ 1,694   | \$ 100               | \$ 17,796                          | \$ 37,160 |
| Total assets                        | \$ -               | \$ 17,570 | \$ 1,694   | \$ 100               | \$ 17,796                          | \$ 37,160 |
| <b>LIABILITIES AND FUND BALANCE</b> |                    |           |            |                      |                                    |           |
| Liabilities                         |                    |           |            |                      |                                    |           |
| Accounts payable                    | \$ -               | \$ -      | \$ 162     | \$ -                 | \$ -                               | \$ 162    |
| Total liabilities                   | -                  | -         | 162        | -                    | -                                  | 162       |
| Fund balance                        |                    |           |            |                      |                                    |           |
| Restricted, reported in:            |                    |           |            |                      |                                    |           |
| Special revenue funds               | \$ -               | \$ 17,570 | \$ 1,532   | \$ 100               | \$ 17,796                          | \$ 36,998 |
| Total fund balance                  | -                  | 17,570    | 1,532      | 100                  | 17,796                             | 36,998    |
| Total liabilities and fund balance  | \$ -               | \$ 17,570 | \$ 1,694   | \$ 100               | \$ 17,796                          | \$ 37,160 |

See independent auditors' report 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, 2012

|   | Law<br>Enforcement | Cemetery  | Recreation | Veterans<br>Memorial | Quay County<br>Gaming<br>Authority | Total     |
|---|--------------------|-----------|------------|----------------------|------------------------------------|-----------|
| REVENUES:   |                    |           |            |                      |                                    |           |
| Other taxes                                       | \$ -               | \$ -      | \$ -       | \$ -                 | \$ -                               | \$ -      |
| Grants  | 20,000             | -         | -          | -                    | -                                  | 20,000    |
| Charges for services                              | -                  | 1,540     | -          | -                    | -                                  | 1,540     |
| Interest income                                   | -                  | 54        | -          | -                    | -                                  | 54        |
| Other   | 20                 | 3,280     | 2,634      | 100                  | 14,563                             | 20,597    |
| Total revenues                                    | 20,020             | 4,874     | 2,634      | 100                  | 14,563                             | 42,191    |
| EXPENDITURES:                                     |                    |           |            |                      |                                    |           |
| Public safety                                     | -                  | -         | -          | -                    | -                                  | -         |
| Public works                                      | -                  | 6,404     | -          | -                    | -                                  | 6,404     |
| Culture and recreation                            | -                  | -         | 3,430      | -                    | -                                  | 3,430     |
| Capital outlay                                    | 9,870              | -         | -          | -                    | -                                  | 9,870     |
| Total expenditures                                | 9,870              | 6,404     | 3,430      | -                    | -                                  | 19,704    |
| Excess (deficiency) of revenues over expenditures | 10,150             | (1,530)   | (796)      | 100                  | 14,563                             | 22,487    |
| Other financing sources (uses)                    | (10,150)           | -         | -          | -                    | -                                  | (10,150)  |
| Transfers out                                     | (10,150)           | -         | -          | -                    | -                                  | (10,150)  |
| Total other sources (uses)                        | (10,150)           | -         | -          | -                    | -                                  | (10,150)  |
| Net change in fund balance                        | -                  | (1,530)   | (796)      | 100                  | 14,563                             | 12,337    |
| Fund balance, beginning of year                   | -                  | 19,100    | 2,328      | -                    | 3,233                              | 24,661    |
| Fund balance, end of year                         | \$ -               | \$ 17,570 | \$ 1,532   | \$ 100               | \$ 17,796                          | \$ 36,998 |

See independent auditors' report 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, 2012**

|                                      | Original<br>Budget | Final<br>Budget | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|--------------------------------------|--------------------|-----------------|---------------------------------|--|
| <b>REVENUES</b>                      |                    |                 |                                 |  |
| Grants                               | \$ 20,000          | \$ 20,000       | \$ 20,000                       | \$ -                                   |
| Miscellaneous                        | -                  | -               | 20                              | 20                                     |
| Total revenues                       | 20,000             | 20,000          | 20,020                          | 20                                     |
| <b>EXPENDITURES</b>                  |                    |                 |                                 |  |
| Capital outlay                       | 9,870              | 9,870           | 9,870                           | -                                      |
| Total expenditures                   | 9,870              | 9,870           | 9,870                           | -                                      |
| Excess of revenues over expenditures | 10,130             | 10,130          | 10,150                          | 20                                     |
| <b>Other financing uses</b>          |                    |                 |                                 |  |
| Transfers out                        | (10,130)           | (10,130)        | (10,150)                        | (20)                                   |
| Total other financing uses           | (10,130)           | (10,130)        | (10,150)                        | (20)                                   |
| Net change in fund balance           | -                  | -               | -                               | -                                      |
| Fund balance, beginning of year      | -                  | -               | -                               | -                                      |
| 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> |
| Net change in fund balance - GAAP basis | <u>\$ -</u> |

See independent auditors' report 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, 2012

|  | Original<br>Budget | Final<br>Budget | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|-----------------|---------------------------------|--|
| <b>REVENUES</b>                                      |                    |                 |                                 |  |
| Charges for services                                 | \$ 7,800           | \$ 7,800        | \$ 1,540                        | \$ (6,260)                             |
| Interest income                                      | 55                 | 55              | 54                              | (1)                                    |
| Miscellaneous  | -                  | -               | 3,280                           | 3,280                                  |
| Total revenues                                       | 7,855              | 7,855           | 4,874                           | (2,981)                                |
| <b>EXPENDITURES</b>                                  |                    |                 |                                 |  |
| Current:   |                    |                 |                                 |  |
| Public works   | 7,785              | 7,785           | 6,404                           | 1,381                                  |
| Total expenditures                                   | 7,785              | 7,785           | 6,404                           | 1,381                                  |
| Excess (deficiency) of revenues over<br>expenditures | 70                 | 70              | (1,530)                         | (1,600)                                |
| Fund balance, beginning of year                      | 19,100             | 19,100          | 19,100                          | -                                      |
| Fund balance, end of year                            | \$ 19,170          | \$ 19,170       | \$ 17,570                       | \$ (1,600)                             |

**Reconciliation of Budgetary Basis to GAAP Basis**

|   |            |
|---|------------|
| Net changes in fund balance             | \$ (1,530) |
| Net change in fund balance - GAAP basis | \$ (1,530) |

See independent auditors' report 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, 2012**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual on<br/>Budgetary<br/>Basis</u> | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|-------------------------|--|---|
| <b>REVENUES</b>  |                            |                         |  |   |
| Taxes:   |                            |                         |  |   |
| Other taxes  | \$ -                       | \$ -                    | \$ -                                     | \$ -  |
| Miscellaneous  | <u>3,450</u>               | <u>3,450</u>            | <u>2,634</u>                             | <u>(816)</u>                                    |
| Total revenues   | 3,450                      | 3,450                   | 2,634                                    | (816)   |
| <b>EXPENDITURES</b>                                    |                            |                         |  |   |
| Current  |                            |                         |  |   |
| Culture and recreation                                 | <u>3,350</u>               | <u>3,350</u>            | <u>3,268</u>                             | <u>82</u>                                       |
| Total expenditures                                     | <u>3,350</u>               | <u>3,350</u>            | <u>3,268</u>                             | <u>82</u>                                       |
| Excess (deficiency) of revenues over expenditures      | 100                        | 100                     | (634)                                    | (734)   |
| Fund balance, beginning of year                        | <u>2,328</u>               | <u>2,328</u>            | <u>2,328</u>                             | <u>-</u>  |
| Fund balance, end of year                              | <u>\$ 2,428</u>            | <u>\$ 2,428</u>         | <u>\$ 1,694</u>                          | <u>\$ (734)</u>                                 |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b> |                            |                         |  |   |
| Net changes in fund balance                            |                            |                         | \$ (634)                                 |   |
| Expenditure accruals                                   |                            |                         | <u>(162)</u>                             |   |
| Net change in fund balance - GAAP basis                |                            |                         | <u>\$ (796)</u>                          |   |

See independent auditors' report 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, 2012**

|  | Original<br>Budget | Final<br>Budget | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|-----------------|---------------------------------|--|
| <b>REVENUES</b>  |                    |                 |                                 |  |
| Interest income  | \$ -               | \$ 100          | \$ 100                          | \$ -                                   |
| Total revenues   | -                  | 100             | 100                             | -                                      |
| <b>EXPENDITURES</b>                                    |                    |                 |                                 |  |
| Current  |                    |                 |                                 |  |
| Public works   | -                  | -               | -                               | -                                      |
| Total expenditures                                     | -                  | -               | -                               | -                                      |
| Excess of revenues over expenditures                   | -                  | 100             | 100                             | -                                      |
| Fund balance, beginning of year                        | -                  | -               | -                               | -                                      |
| Fund balance, end of year                              | <u>\$ -</u>        | <u>\$ 100</u>   | <u>\$ 100</u>                   | <u>\$ -</u>                            |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b> |                    |                 |                                 |  |
| Net changes in fund balance                            |                    |                 | \$ 100                          |  |
| Revenue accruals                                       |                    |                 | -                               |  |
| Expenditure accruals                                   |                    |                 | -                               |  |
| Net change in fund balance - GAAP basis                |                    |                 | <u>\$ 100</u>                   |  |

See independent auditors' report to financial statements.

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

**QUAY COUNTY GAMING AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

|  | Original<br>Budget | Final<br>Budget | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|-----------------|---------------------------------|--|
| <b>REVENUES</b>  |                    |                 |                                 |  |
| Interest   | \$ -               | \$ -            | \$ 14,563                       | \$ 14,563                              |
| Total revenues   | -                  | -               | 14,563                          | 14,563                                 |
| <b>EXPENDITURES</b>                                    |                    |                 |                                 |  |
| Contract services                                      | -                  | -               | -                               | -                                      |
| Miscellaneous  | -                  | -               | -                               | -                                      |
| Total expenditures                                     | -                  | -               | -                               | -                                      |
| Excess (deficiency) of revenues over expenditures      | -                  | -               | 14,563                          | 14,563                                 |
| Fund balance, beginning of year                        | 3,233              | 3,233           | 3,233                           | -                                      |
| Fund balance, end of year                              | <u>\$ 3,233</u>    | <u>\$ 3,233</u> | <u>\$ 17,796</u>                | <u>\$ 14,563</u>                       |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b> |                    |                 |                                 |  |
| Net changes in fund balance                            |                    |                 | \$ 14,563                       |  |
| Revenue accruals                                       |                    |                 | -                               |  |
| Expenditure accruals                                   |                    |                 | -                               |  |
| Net change in fund balance - GAAP basis                |                    |                 | <u>\$ 14,563</u>                |  |

See independent auditors' report 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, 2012**

|   | Original<br>Budget  | Final<br>Budget     | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|---|---------------------|---------------------|---------------------------------|--|
| <b>REVENUES</b>                                 |                     |                     |                                 |  |
| Sales and service                               | \$ 57,860           | \$ 57,860           | \$ 65,005                       | \$ 7,145                               |
| Fees and penalties                              | -                   | -                   | 2,644                           | 2,644                                  |
| Governmental gross receipts tax                 | 11,500              | 11,500              | 13,261                          | 1,761                                  |
| Legislative appropriation                       | 2,500               | 2,500               | -                               | -                                      |
| Interest income                                 | 50                  | 50                  | 86                              | 36                                     |
| <b>Total revenues</b>                           | <b>71,910</b>       | <b>71,910</b>       | <b>80,996</b>                   | <b>11,586</b>                          |
| <b>EXPENDITURES</b>                             |                     |                     |                                 |  |
| Personnel services                              | 20,716              | 20,716              | 22,590                          | (1,874)                                |
| Professional services                           | 21,900              | 43,450              | 41,216                          | 2,234                                  |
| Utilities                                       | 5,038               | 5,038               | 8,271                           | (3,233)                                |
| Operating expenses                              | 19,624              | 19,624              | 9,990                           | 9,634                                  |
| Interest expense                                | 4,310               | 4,310               | 4,350                           | (40)                                   |
| <b>Total expenditures</b>                       | <b>71,588</b>       | <b>93,138</b>       | <b>86,417</b>                   | <b>6,721</b>                           |
| Excess of revenues over expenditures            | 322                 | (21,228)            | (5,421)                         | 18,307                                 |
| <b>Other financing sources (uses)</b>           |                     |                     |                                 |  |
| Transfers in                                    | -                   | -                   | -                               | -                                      |
| Transfers out                                   | (4,782)             | (4,782)             | -                               | (4,782)                                |
| <b>Total other financing sources<br/>(uses)</b> | <b>(4,782)</b>      | <b>(4,782)</b>      | <b>-</b>                        | <b>(4,782)</b>                         |
| Net change in fund balance                      | -                   | -                   | (5,421)                         | 5,421                                  |
| Fund balance, beginning of year                 | 1,857,321           | 1,857,321           | 1,857,321                       | -                                      |
| Fund balance, end of year                       | <u>\$ 1,857,643</u> | <u>\$ 1,836,093</u> | <u>\$ 1,851,900</u>             | <u>\$ 18,307</u>                       |

**Reconciliation of Budgetary Basis to GAAP Basis**

|   |                   |
|---|-------------------|
| Net changes in fund balance             | \$ (5,421)        |
| Net changes in accounts receivable      | 254               |
| Transfer of capital expenditures        | 461,845           |
| Depreciation                            | (65,075)          |
| Net change in fund balance - GAAP basis | <u>\$ 391,603</u> |

See independent auditors' report 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, 2012**

|                                      | Original<br>Budget | Final<br>Budget   | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|--------------------------------------|--------------------|-------------------|---------------------------------|--|
| <b>REVENUES</b>                      |                    |                   |                                 |  |
| Sales and service                    | \$ 30,901          | \$ 30,901         | \$ 29,782                       | \$ (1,119)                             |
| Fees and penalties                   | 1,000              | 1,000             | 2,966                           | 1,966                                  |
| Interest income                      | 10                 | 10                | 12                              | 2                                      |
| <b>Total revenues</b>                | <b>31,911</b>      | <b>31,911</b>     | <b>32,760</b>                   | <b>849</b>                             |
| <b>EXPENDITURES</b>                  |                    |                   |                                 |  |
| Personnel services                   | 9,556              | 9,556             | 10,815                          | (1,259)                                |
| Professional services                | 2,550              | 2,550             | 2,284                           | 266                                    |
| Utilities                            | -                  | -                 | 2,868                           | (2,868)                                |
| Operating expenses                   | 14,404             | 14,404            | 8,042                           | 6,362                                  |
| Interest expense                     | 5,401              | 5,401             | 5,401                           | -                                      |
| <b>Total expenditures</b>            | <b>31,911</b>      | <b>31,911</b>     | <b>29,410</b>                   | <b>2,501</b>                           |
| Excess of revenues over expenditures | -                  | -                 | 3,350                           | 3,350                                  |
| Fund balance, beginning of year      | 894,525            | 894,525           | 894,525                         | -                                      |
| Fund balance, end of year            | <u>\$ 894,525</u>  | <u>\$ 894,525</u> | <u>\$ 897,875</u>               | <u>\$ 3,350</u>                        |

**Reconciliation of Budgetary Basis to GAAP Basis**

|  |                  |
|--|------------------|
| Net changes in fund balance                          | \$ 3,350         |
| Net changes in accounts receivables                  | (319)            |
| Net changes in accounts payable and accrued expenses | 3,273            |
| Transfer of capital expenditures                     | 49,770           |
| Depreciation   | (30,399)         |
| Net change in fund balance - GAAP basis              | <u>\$ 25,675</u> |

See independent auditors' report 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, 2012**

|  | Original<br>Budget | Final<br>Budget  | Actual on<br>Budgetary<br>Basis | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|------------------|---------------------------------|--|
| <b>REVENUES</b>  |                    |                  |                                 |  |
| Sales and service                                      | \$ 41,600          | \$ 41,600        | \$ 43,660                       | \$ 2,060                               |
| Fees and penalties                                     | 5,000              | 5,000            | 5,085                           | 85                                     |
| Gross receipt taxes                                    | 8,500              | 8,500            | 10,609                          | 2,109                                  |
| Interest income  | 400                | 400              | 321                             | (79)                                   |
| Total revenues   | <u>55,500</u>      | <u>55,500</u>    | <u>59,675</u>                   | <u>4,175</u>                           |
| <b>EXPENDITURES</b>                                    |                    |                  |                                 |  |
| Personnel services                                     | 11,092             | 11,092           | 8,314                           | 2,778                                  |
| Professional services                                  | 35,700             | 35,700           | 35,908                          | (208)                                  |
| Utilities  | -                  | -                | 389                             | (389)                                  |
| Operating expenses                                     | <u>8,178</u>       | <u>8,178</u>     | <u>4,230</u>                    | <u>3,948</u>                           |
| Total expenditures                                     | <u>54,970</u>      | <u>54,970</u>    | <u>48,841</u>                   | <u>6,129</u>                           |
| Excess (deficiency) of revenues over expenditures      | 530                | 530              | 10,834                          | 10,304                                 |
| Fund balance, beginning of year                        | <u>50,501</u>      | <u>50,501</u>    | <u>50,501</u>                   | <u>-</u>                               |
| Fund balance, end of year                              | <u>\$ 51,031</u>   | <u>\$ 51,031</u> | <u>\$ 61,335</u>                | <u>\$ 10,304</u>                       |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b> |                    |                  |                                 |  |
| Net changes in fund balance                            |                    |                  | \$ 10,834                       |  |
| Net changes in accounts receivable                     |                    |                  | (1,492)                         |  |
| Net changes in accounts payable and accrued expenses   |                    |                  | <u>(2,709)</u>                  |  |
| Net change in fund balance - GAAP basis                |                    |                  | <u>\$ 6,633</u>                 |  |

See independent auditors' report 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, 2012**

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|-------------------------|--------------------|---|
| <b>REVENUES</b>   |                            |                         |                    |   |
| Grants  | \$ 490,376                 | \$ 490,376              | \$ 515,115         | \$ 24,739                                       |
| Total revenues  | 490,376                    | 490,376                 | 515,115            | 24,739  |
| <b>EXPENDITURES</b>                                     |                            |                         |                    |   |
| Current:  |                            |                         |                    |   |
| Public works  | 25,000                     | 25,000                  | 3,568              | 21,432  |
| Total expenditures                                      | 25,000                     | 25,000                  | 3,568              | 21,432  |
| Excess of revenues over expenditures                    | 465,376                    | 465,376                 | 511,547            | 3,307   |
| Other financing uses                                    |                            |                         |                    |   |
| Transfers out   | (465,376)                  | (465,376)               | (511,605)          | (46,229)  |
| Total other financing uses                              | 465,376                    | 465,376                 | (511,605)          | (46,229)  |
| Net change in fund balance                              | -                          | -                       | (58)               | (58)  |
| Fund balance, beginning of year,                        | 66,133                     | 66,133                  | 66,133             | -   |
| Fund balance, end of year                               | \$ 66,133                  | \$ 66,133               | \$ 66,075          | \$ 51,107                                       |
| <b>Reconciliation of Budgetary Basis to GAAP Basis:</b> |                            |                         |                    |   |
| Net changes in fund balance                             |                            |                         | \$ (58)            |   |
| Revenue accruals  |                            |                         | (44,451)           |   |
| Expenditure accruals                                    |                            |                         | -                  |   |
| Net change in fund balance - GAAP basis                 |                            |                         | <u>\$ (44,509)</u> |   |

See independent auditors' report 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, 2012**

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|-------------------------|----------------|---|
| <b>EXPENDITURES</b>                                     |                            |                         |                |   |
| Debt service  |                            |                         |                |   |
| Principal   | \$ 42,973                  | \$ 42,973               | \$ 42,973      | \$ -  |
| Interest  | <u>5,586</u>               | <u>5,586</u>            | <u>5,586</u>   | <u>-</u>  |
| Total expenditures                                      | <u>48,559</u>              | <u>48,559</u>           | <u>48,559</u>  | <u>-</u>  |
| Deficiency of revenues over expenditures                | (48,559)                   | (48,559)                | (48,559)       | -   |
| <b>OTHER FINANCING (USES)</b>                           |                            |                         |                |   |
| Transfers in  | 52,600                     | 52,600                  | 52,600         | -   |
| Transfers out   | <u>(4,041)</u>             | <u>(4,041)</u>          | <u>(4,041)</u> | <u>-</u>  |
| Total other financing uses                              | <u>(48,559)</u>            | <u>(48,559)</u>         | <u>48,559</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>                                     |
| <b>Reconciliation of Budgetary Basis to GAAP Basis:</b> |                            |                         |                |   |
| Net changes in fund balance                             |                            |                         | \$ -           |   |
| Net change in fund balance - GAAP basis                 |                            |                         | <u>\$ -</u>    |   |

See independent auditors' report 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, 2012**

| <u>Description of Pledged Collateral</u>                                   | <u>Amount</u>     | <u>Name and Location</u>            |
|--|-------------------|-------------------------------------|
| Eastern New Mexico University Revs, CUSIP#276785UA8,<br>Maturing 4/01/2014 | \$ 26,679         | Federal Home Loan<br>Bank of Dallas |
| Belen NM Consolidated Sch District, CUSIP#077581MZ6,<br>Maturing 8/01/15   | 110,983           | Federal Home Loan<br>Bank of Dallas |
| FHLMC Arm 606070, CUSIP#31348HW79, Maturing 4/01/2018                      | <u>17,984</u>     | Federal Home Loan<br>Bank of Dallas |
| Total pledged securities   | <u>\$ 155,646</u> |                                     |

See independent auditors' report 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, 2012, and have issued our report thereon dated November 28, 2012. 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

Management of the Village of San Jon is responsible for establishing and maintaining effective 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 28, 2012

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

**PRIOR YEAR FINDINGS  
JUNE 30, 2012**

---

**PRIOR YEAR FINDINGS:**

10-01 Legal Compliance with Budget

Resolved



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

**FINANCIAL STATEMENT PREPARATION  
FOR THE YEAR ENDED JUNE 30, 2012**

---

The financial statements of the Village of San Jon as of, and for the year ended, June 30, 2012 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, 2012**

---

An exit conference was conducted September 20, 2012 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

Jarrold Archuleta  
Toni Stoner

Trustee  
Treasurer

White + Samaniego + Campbell, LLP

Cheryl Hutton-Tellez

Staff, Audit Department