

VILLAGE OF CAPITAN, NEW MEXICO

Financial Statements, Supplementary Information  
and  
Independent Auditors' Report

June 30, 2008

VILLAGE OF CAPITAN, NEW MEXICO

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**VILLAGE OF CAPITAN, NEW MEXICO**

**List of Principal Officials  
June 30, 2007**

**Village Trustees**

Sammy L. Hammons	Mayor
Diane Riska	Mayor Pro-Tem
Curtis Payne	Trustee
J. R. Davis	Trustee
Lilly Wood	Trustee

**Administrative Officials**

Kay Strickland	Village Clerk
Shirley Pavlovic	Deputy Clerk

**Independent Auditors' Report**

Mr. Hector H. Balderas, State Auditor and  
Sammy L. Hammons, Mayor and  
the Board of Trustees  
Village of Capitan, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison of the general fund and CDBG fund, of the Village of Capitan (Village), as of and for the year ended June 30, 2008, 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 presented as supplementary information in the accompanying combining and individual fund financial statements and schedules, and budgetary comparison statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and fire protection fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and nonmajor enterprise funds of the Village, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the nonmajor governmental funds and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and  
Sammy L. Hammons, Mayor and  
The Board of Trustees  
Village of Capitan, New Mexico

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2008 on our consideration of the Village's internal control over financial reporting and on our tests 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 *Governmental Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

For the year ended June 30, 2008, the Village has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 of the Village. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Porch & Associates LLC*

Albuquerque, New Mexico  
November 20, 2008

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,246,625	459,240	1,705,865
Cash - restricted	4,946	-	4,946
Receivables			
Accounts receivable, net of allowance	-	60,860	60,860
Taxes	99,550	-	99,550
Grants	69,143	-	69,143
Investment income	1,015	266	1,281
Inventory	-	16,032	16,032
Note receivable, due in one year	-	40,026	40,026
Note receivable, due in more than one year	-	613,406	613,406
Capital assets, not depreciated	101,515	4,050,881	4,152,396
Capital assets, net of accumulated depreciation	3,009,384	3,330,554	6,339,938
	<hr/>		
<b>Total assets</b>	4,532,178	8,571,265	13,103,443
	<hr/>		
<b>LIABILITIES</b>			
Accounts payable	62,894	13,320	76,214
Sales tax payable	-	3,485	3,485
Fees payable	-	277	277
Accrued compensation and benefits	14,668	5,681	20,349
Interest payable	-	13,060	13,060
Deposits payable	-	36,814	36,814
Compensated absences, due in one year	3,000	2,000	5,000
Compensated absences, due in more than one year	5,201	6,201	11,402
Long-term liabilities, due in one year	41,917	8,100	50,017
Long-term liabilities, due in more than one year	160,590	637,586	798,176
	<hr/>		
<b>Total liabilities</b>	288,270	726,524	1,014,794
	<hr/>		
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,908,392	6,735,749	9,644,141
Restricted for:			
Inventory	-	16,032	16,032
Unrestricted	1,335,516	1,092,960	2,428,476
	<hr/>		
<b>Total net assets</b>	\$ 4,243,908	7,844,741	12,088,649
	<hr/>		

*The accompanying notes are an integral part of these financial statements.*



VII. STATE OF CAPITAN, NEW MEXICO  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 548,955	23,863	514,904	-	(10,188)	-	(10,188)
Public safety	204,085	21,077	160,443	-	(22,565)	-	(22,565)
Highways and streets	346,146	-	-	135,464	(210,682)	-	(210,682)
Interest on long-term debt	11,291	-	-	-	(11,291)	-	(11,291)
<b>Total governmental activities</b>	<b>1,110,477</b>	<b>44,940</b>	<b>675,347</b>	<b>135,464</b>	<b>(254,726)</b>	<b>-</b>	<b>(254,726)</b>
Business-type activities							
Utility Water and Sewer	686,586	449,809	-	-	-	(236,777)	(236,777)
Solid Waste	158,248	159,451	-	-	-	1,203	1,203
Smokey Bear Enterprise	65,663	78,204	-	-	-	12,541	12,541
<b>Total business-type activities</b>	<b>910,497</b>	<b>687,464</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(223,033)</b>	<b>(223,033)</b>
<b>Total primary government</b>	<b>\$ 2,020,974</b>	<b>732,404</b>	<b>675,347</b>	<b>135,464</b>	<b>(254,726)</b>	<b>(223,033)</b>	<b>(477,759)</b>
General Revenues							
Franchise taxes					36,608	-	36,608
Gasoline taxes					28,253	-	28,253
Gross receipts taxes					474,788	-	474,788
Property taxes					22,856	-	22,856
Cigarette taxes					1,245	-	1,245
Lodgers taxes					5,271	-	5,271
Interest and investment earnings					29,978	83,510	113,488
Lease of water rights					-	85,650	85,650
Other					5,872	-	5,872
Operating transfers					108,876	(108,876)	-
<b>Total general revenues</b>					<b>713,747</b>	<b>60,284</b>	<b>774,031</b>
<b>Change in net assets</b>					<b>459,021</b>	<b>(162,749)</b>	<b>296,272</b>
Net assets, beginning					3,784,887	8,007,490	11,792,377
<b>Net assets, ending</b>					<b>\$ 4,243,908</b>	<b>7,844,741</b>	<b>12,088,649</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**BALANCE SHEET -**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	General	Community Development Block Grant	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and investments	\$ 1,106,693	-	139,932	1,246,625
Cash - restricted	4,946	-	-	4,946
Receivables				
Taxes				
Property	292	-	-	292
Gross receipts	84,391	-	6,547	90,938
Gas	778	-	1,909	2,687
Franchise	5,633	-	-	5,633
Grants	-	69,143	-	69,143
Investment income	1,015	-	-	1,015
Due from other funds	6,249	-	-	6,249
<b>Total assets</b>	<b>\$ 1,209,997</b>	<b>69,143</b>	<b>148,388</b>	<b>1,427,528</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	62,894	-	62,894
Accrued compensation and benefits	14,668	-	-	14,668
Deferred revenue	261,897	-	-	261,897
Due to other funds	-	6,249	-	6,249
<b>Total liabilities</b>	<b>276,565</b>	<b>69,143</b>	<b>-</b>	<b>345,708</b>
<b>FUND BALANCES</b>				
Unreserved, undesignated reported in:				
General fund	933,432	-	-	933,432
Special revenue funds	-	-	148,388	148,388
<b>Total fund balances</b>	<b>933,432</b>	<b>-</b>	<b>148,388</b>	<b>1,081,820</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,209,997</b>	<b>69,143</b>	<b>148,388</b>	<b>1,427,528</b>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2008**

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

<b>Total fund balance - governmental funds</b>	<b>\$ 1,081,820</b>
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method	261,897
Accrued compensated absences not payable from current revenues	(8,201)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	3,110,899
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(202,507)</u>
<b>Net assets - governmental activities</b>	<b><u><u>\$ 4,243,908</u></u></b>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2008**

	General	Community Development Block Grant	Nonmajor Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 501,172	-	67,849	569,021
Licenses, permits, fees, fines	27,689	-	12,118	39,807
Intergovernmental	195,481	318,798	161,068	675,347
Interest and investment income	26,858	-	3,120	29,978
Sales	2,000	-	3,133	5,133
Grant	135,464	-	-	135,464
Other	5,207	-	665	5,872
<b>Total revenues</b>	<b>893,871</b>	<b>318,798</b>	<b>247,953</b>	<b>1,460,622</b>
<b>Expenditures</b>				
Current				
General government	491,551	-	16,635	508,186
Public safety	252,617	-	70,889	323,506
Highways and streets	203,723	-	46,332	250,055
Debt service	14,442	-	114,778	129,220
Capital outlay	204,485	318,798	3,093	526,376
<b>Total expenditures</b>	<b>1,166,818</b>	<b>318,798</b>	<b>251,727</b>	<b>1,737,343</b>
(Deficiency) excess of revenues over expenditures before other financings sources	(272,947)	-	(3,774)	(276,721)
<b>Other Financing Sources</b>				
Operating transfers in	108,876	-	-	108,876
<b>Net change in fund balances</b>	<b>(164,071)</b>	<b>-</b>	<b>(3,774)</b>	<b>(167,845)</b>
Fund balance, beginning of year	1,097,503	-	152,162	1,249,665
<b>Fund balance, end of year</b>	<b>\$ 933,432</b>	<b>-</b>	<b>148,388</b>	<b>1,081,820</b>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008**

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

**Net changes in fund balances - governmental funds** **\$ (167,845)**

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlay exceeded depreciation in the current period

Depreciation expense	(224,882)	
Capital outlay	733,592	
Excess of capital outlay over depreciation expense		508,710

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. 227

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 117,929

**Change in net assets - governmental activities** **\$ 459,021**

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 381,706	381,706	515,485	133,779
Licenses and permits and fees	10,350	10,350	27,689	17,339
Intergovernmental	127,000	127,000	195,481	68,481
Interest and investment income	1,700	1,700	26,858	25,158
Grants	230,000	230,000	135,464	(94,536)
Other	146,351	146,351	7,207	(139,144)
<b>Total revenues</b>	<b>897,107</b>	<b>897,107</b>	<b>908,184</b>	<b>11,077</b>
<b>Expenditures</b>				
General government	686,167	686,167	482,903	203,264
Public safety	289,065	289,065	252,617	36,448
Highways and streets	204,855	204,855	203,723	1,132
Debt service	64,375	64,375	14,442	49,933
Capital outlay	133,500	262,500	204,485	58,015
<b>Total expenditures</b>	<b>1,377,962</b>	<b>1,506,962</b>	<b>1,158,170</b>	<b>348,792</b>
(Deficiency) excess of revenues over expenditures	(480,855)	(609,855)	(249,986)	359,869
<b>Other financing sources</b>				
Operating transfers in	-	-	108,876	108,876
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>108,876</b>	<b>108,876</b>
Net change in fund balance	(480,855)	(609,855)	(141,110)	468,745
Prior year cash appropriated	480,855	609,855		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ (141,110)	
Change in:				
Accounts receivable			( 14,313 )	
Accrued compensation and benefits			( 8,648 )	
GAAP change in fund balance			<u>\$ (164,071)</u>	

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant	\$ 400,000	400,000	249,655	(150,345)
<b>Total revenues</b>	<b>400,000</b>	<b>400,000</b>	<b>249,655</b>	<b>(150,345)</b>
Expenditures				
Capital outlay	400,000	400,000	255,904	144,096
<b>Total expenditures</b>	<b>400,000</b>	<b>400,000</b>	<b>255,904</b>	<b>144,096</b>
Net change in fund balance	\$ -	-	(6,249)	(6,249)
Non-GAAP change in fund balance			\$ (6,249)	
Change in:				
Accounts receivable			69,143	
Accounts payable			(62,894)	
GAAP change in fund balance			\$ -	

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO**  
**BALANCE SHEET -**  
**PROPRIETARY FUNDS**  
**June 30, 2008**

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 405,417	11,667	42,156	459,240
Accounts receivable, net of allowance	47,203	13,657	-	60,860
Accrued investment income	266	-	-	266
Inventory	-	-	16,032	16,032
Note receivable, current portion	40,026	-	-	40,026
<b>Total current assets</b>	<b>492,912</b>	<b>25,324</b>	<b>58,188</b>	<b>576,424</b>
Capital Assets				
Land and water rights	4,025,632	-	-	4,025,632
Construction in process	25,249	-	-	25,249
Plant and equipment	6,210,094	-	1,691	6,211,785
Buildings and improvements	-	-	31,190	31,190
Accumulated depreciation	(2,880,552)	-	(31,869)	(2,912,421)
<b>Total capital assets, net</b>	<b>7,380,423</b>	<b>-</b>	<b>1,012</b>	<b>7,381,435</b>
Other Assets				
Note receivable, long-term portion	613,406	-	-	613,406
<b>Total assets</b>	<b>\$ 8,486,741</b>	<b>25,324</b>	<b>59,200</b>	<b>8,571,265</b>

*The accompanying notes are an integral part of these financial statements.*



	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable	\$ -	13,291	29	13,320
Sales tax payable	2,996	-	489	3,485
Fees payable	277	-	-	277
Accrued compensation and benefits	4,049	-	1,632	5,681
Interest payable	13,060	-	-	13,060
Deposits payable	36,814	-	-	36,814
Compensated absences, current portion	2,000	-	-	2,000
Bonds payable, current portion	8,100	-	-	8,100
<b>Total current liabilities</b>	<b>67,296</b>	<b>13,291</b>	<b>2,150</b>	<b>82,737</b>
Long-Term Liabilities				
Compensated absences	6,201	-	-	6,201
Bonds payable	637,586	-	-	637,586
<b>Total long-term liabilities</b>	<b>643,787</b>	<b>-</b>	<b>-</b>	<b>643,787</b>
<b>Total liabilities</b>	<b>711,083</b>	<b>13,291</b>	<b>2,150</b>	<b>726,524</b>
Net Assets:				
Invested in capital assets, net of related debt	6,734,737	-	1,012	6,735,749
Restricted for inventory	-	-	16,032	16,032
Unrestricted	1,040,921	12,033	40,006	1,092,960
<b>Total net assets</b>	<b>7,775,658</b>	<b>12,033</b>	<b>57,050</b>	<b>7,844,741</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,486,741</b>	<b>25,324</b>	<b>59,200</b>	<b>8,571,265</b>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET**  
**ASSETS - PROPRIETARY FUNDS**  
**Year Ended June 30, 2008**

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating Revenues				
Sales and services	\$ 447,420	159,451	78,140	685,011
Operating Expenses				
Operating expenses	504,333	158,248	65,375	727,956
Depreciation	150,629	-	288	150,917
<b>Total operating expenses</b>	<b>654,962</b>	<b>158,248</b>	<b>65,663</b>	<b>878,873</b>
Operating (Loss) Income	(207,542)	1,203	12,477	(193,862)
Nonoperating Revenues (Expenses)				
Other	2,389	-	64	2,453
Lease of water rights	85,650	-	-	85,650
Interest income	83,316	71	123	83,510
Interest expense	(31,624)	-	-	(31,624)
Transfers out	(108,876)	-	-	(108,876)
<b>Total nonoperating revenues</b> <b>(expenses)</b>	<b>30,855</b>	<b>71</b>	<b>187</b>	<b>31,113</b>
<b>Change in net assets</b>	<b>(176,687)</b>	<b>1,274</b>	<b>12,664</b>	<b>(162,749)</b>
Net assets, beginning of year	7,952,345	10,759	44,386	8,007,490
<b>Net assets, end of year</b>	<b>\$ 7,775,658</b>	<b>12,033</b>	<b>57,050</b>	<b>7,844,741</b>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2008**

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from customers	\$ 439,587	159,451	78,140	677,178
Cash payments to vendors and employees	(510,151)	(172,534)	(68,271)	(750,956)
<b>Net cash (used) provided by operating activities</b>	<b>(70,564)</b>	<b>(13,083)</b>	<b>9,869</b>	<b>(73,778)</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>				
Other income	2,389	-	64	2,453
Operating transfers out	(108,876)	-	-	(108,876)
<b>Net cash (used) provided by noncapital financing activities</b>	<b>(106,487)</b>	<b>-</b>	<b>64</b>	<b>(106,423)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Principle payment on bonds	(9,815)	-	-	(9,815)
Interest payment on bonds	(31,624)	-	-	(31,624)
Purchase of capital assets	(11,800)	-	-	(11,800)
<b>Net cash used by capital and related financing activities</b>	<b>(53,239)</b>	<b>-</b>	<b>-</b>	<b>(53,239)</b>
<b>Cash Flows From Investing Activities</b>				
Interest received on investments	84,019	71	123	84,213
Sale of water rights	85,650	-	-	85,650
Principal received on notes	36,223	-	-	36,223
<b>Net cash provided by investing activities</b>	<b>205,892</b>	<b>71</b>	<b>123</b>	<b>206,086</b>
<b>Net (decrease) increase in cash</b>	<b>(24,398)</b>	<b>(13,012)</b>	<b>10,056</b>	<b>(27,354)</b>
Cash, beginning of year	429,815	24,679	32,100	486,594
<b>Cash, end of year</b>	<b>\$ 405,417</b>	<b>11,667</b>	<b>42,156</b>	<b>459,240</b>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS (CONTINUED)**  
**Year Ended June 30, 2008**

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating (loss) income	\$ (207,542)	1,203	12,477	(193,862)
Adjustments to reconcile operating income to net cash flows				
Depreciation expense	150,629	-	288	150,917
Changes in assets and liabilities				
Accounts receivable	(7,833)	(561)	-	(8,394)
Inventory	-	-	(2,475)	(2,475)
Accounts payable	-	(13,725)	29	(13,696)
Accrued expenses	(5,818)	-	(450)	(6,268)
<b>Net cash (used) provided by     operating activities</b>	<u>\$ (70,564)</u>	<u>(13,083)</u>	<u>9,869</u>	<u>(73,778)</u>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**AGENCY FUNDS**  
**June 30, 2008**

**ASSETS**

Cash	\$ 1,393
<b>Total assets</b>	<u><u>\$ 1,393</u></u>

**LIABILITIES**

Due to Motor Vehicle Division	\$ 1,393
<b>Total liabilities</b>	<u><u>\$ 1,393</u></u>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Entity.* The Village of Capitan (Village) was incorporated in 1932 under the laws of the State of New Mexico. The Village operates under a Mayor-Trustee form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture and recreation, education, public improvements, and general administrative services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

**A. Financial Reporting Entity**

As required by GAAP, the financial statements present the Village and entities for which the Village is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2008.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity 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 function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF CAPITAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

A. Financial Reporting Entity (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principle ongoing operations.

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

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

The Village follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

*Derived tax revenues* are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

VILLAGE OF CAPITAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

*Imposed nonexchange revenues – property taxes* are levied and collected by the Valencia County treasurer on behalf of the Village. The taxes are levied in November and payable in two installments, November 10<sup>th</sup> and May 10<sup>th</sup>. The County remits to the Village a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 30 days after the date on which they are due.

*Imposed nonexchange revenue other than property taxes* are recognized in the period when an enforceable legal claim has arisen and the resources are available.

*Government-mandated nonexchange transactions and voluntary nonexchange transactions* are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Village reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has legal claim to the, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent period when both revenue recognition criteria methods are met, or when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The Village reports the following major governmental funds:

*General Fund.* The General Fund is the Village’s primary operating fund. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.

*Community Development Block Grant.* To account for the grant money received, and expenditures made, from CDBG funds.



VILLAGE OF CAPITAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

Proprietary funds are accounted for on the flow of economic resources measurement focus (all assets and all liabilities associated with the operation of these funds are included on the balance sheet) and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The following proprietary funds are major funds:

*Utility Water and Sewer Proprietary Fund.* To account for the provisions of water and sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund. Financing is provided through charges to customers for service.

*Solid Waste Proprietary Fund.* To account for the provision of landfill service to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance billing, and collection.

The following proprietary fund is not a major fund:

*Smokey Bear Proprietary Fund.* To account for merchandise sales at the Smokey Bear Museum. All activities necessary for the purchase of inventory and related sales of that inventory are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and collection.

**B. Cash and Investments**

Cash include amounts in demand deposits and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value that is determined by using selected bases. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

**VILLAGE OF CAPITAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**C. Inventory**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

**D. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the year-end are recorded as prepaid items.

**E. Property and Equipment**

Capital assets, which include software, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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.

Assets are recorded at historical cost or estimated historical cost if purchased or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Improvements other than buildings	10 - 50 years
Buildings and structures	30 years
Machinery, equipment and software	3 - 50 years
Furniture and fixtures	5 - 30 years
Infrastructure	5 - 50 years

Capital assets in proprietary funds are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and other improvements	25 - 33 years
Water and sewer system	20 - 50 years
Machinery, equipment and software	3 - 10 years

VILLAGE OF CAPITAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**E. Property and Equipment (Continued)**

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

**F. Intangible Assets**

Under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, intangible assets with indefinite lives are no longer amortized. Indefinite lived intangible assets, such as water rights, are tested for impairment on an annual basis. There were no intangible assets at year-end.

**G. Accrued Employee Benefits**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

**H. Fund Equity**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, other funds or other governments. Reserves represent those portions of fund equity appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Fund equity and net assets were reported as follows:

**Reserved for inventory** - Represents the amounts which have been invested in the inventory balances for proprietary funds.

**Unreserved, undesignated** - Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Village.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**I. Net Assets**

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.

**J. 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.

**K. Cash Flows**

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**L. Budgetary Information**

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, capital projects, and enterprise funds. Budgets have not been adopted for debt service, court, court escrow, solid waste, fire equipment, or the Smokey Bear donation funds.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**L. Budgetary Information (Continued)**

The Village follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital project funds, and enterprise funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year-end.

**M. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**N. Implementation of New Accounting Standards**

During the year ended June 30, 2008, the Village adopted Government Accounting Standards Board Statement (GASB) No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* (GASB 48), GASB No. 49, *Pollution Remediation Obligations*, and GASB 50, *Pension Disclosures*. The GASBs will not have a material impact on the Village's financial statements.

VILLAGE OF CAPITAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

NOTE 2. CASH AND INVESTMENTS

*Deposits*

*Custodial Credit Risk - Deposits.* Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2008, the Village's bank balance total of \$1,176,435 was exposed to credit risk in the amount of \$2,448,704 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 894,709</u>
Uninsured and uncollateralized	<u>\$ 181,726</u>

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Village is required to collateralize an amount equal to one-half of the public money in excess of \$100,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$100,000 in FDIC coverage available to individual depositors. The Village is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

*Credit Risk.* The Village has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

*Investments*

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributable to the magnitude of the Village's investment in a single issuer. The Village has no formal policy limiting the amount of investments or deposits at any single institution or with any single issuer.

The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Section 6-10-10 I through 6-10-10 P and Sections 6-10-10-.1 A and E, NMSA 1978. The investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The New Mexico State Treasurer is responsible for approving all changes in the pledged collateral and monitoring the collateral requirements for all deposits maintained by the State Treasurer. The State Treasurer's office issues separate financial statements which disclose the collateral pledged to secure those deposits.

LGIP does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in this pool is voluntary. The independent auditors' report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditors' report on compliance and internal controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

*Interest Rate Risk* – The LGIP's policy is to invest in securities with an average maturity of less than 182 days, or a 0.5 yearly average term. The LGIP's weighted average maturity at June 30, 2008 was 46 days.

*Credit Quality* – The LGIP is rated AAAM.

Investments held at the Bank of Albuquerque are invested in dollar denominated US Treasury funds. The funds invest in instruments with maturities of 90 days or less.

**NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS**

Accounts receivable represents billings for water, sewer, and solid waste fees. It is management's policy to cut off water service for non-payment. A lien is placed on the properties which have outstanding water bills.

Accounts receivable is comprised of the following at June 30, 2008:

Accounts receivable	\$ 62,660
Allowance for uncollectible accounts	<u>(1,800)</u>
Accounts receivable, net	<u>\$ 60,860</u>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not depreciated				
Land	\$ 87,675	-	-	87,675
Construction in process	13,840	-	-	13,840
<b>Total, not depreciated</b>	<b>\$ 101,515</b>	<b>-</b>	<b>-</b>	<b>101,515</b>
Capital assets, depreciated				
Buildings	\$ 732,529	-	-	732,529
Vehicles	1,227,573	129,215	-	1,356,788
Machinery and equipment	169,195	-	-	169,195
Infrastructure	1,599,650	604,377	-	2,204,027
<b>Total, depreciated</b>	<b>3,728,947</b>	<b>733,592</b>	<b>-</b>	<b>4,462,539</b>
Accumulated depreciation for:				
Buildings	215,496	23,753	-	239,249
Vehicles	787,768	110,773	-	898,541
Machinery and equipment	108,850	12,268	-	121,118
Infrastructure	116,159	78,088	-	194,247
<b>Total accumulated depreciation</b>	<b>1,228,273</b>	<b>224,882</b>	<b>-</b>	<b>1,453,155</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 2,500,674</b>	<b>508,710</b>	<b>-</b>	<b>3,009,384</b>
<b>Business-type Activities</b>				
Capital assets, not depreciated				
Land and water rights	\$ 4,025,632	-	-	4,025,632
Construction in process	25,249	-	-	25,249
<b>Total, not depreciated</b>	<b>\$ 4,050,881</b>	<b>-</b>	<b>-</b>	<b>4,050,881</b>
Capital assets, depreciated				
Buildings and improvements	\$ 4,478,848	-	-	4,478,848
Vehicles	170,897	-	-	170,897
Machinery and equipment	1,581,430	11,800	-	1,593,230
<b>Total, depreciated</b>	<b>6,231,175</b>	<b>11,800</b>	<b>-</b>	<b>6,242,975</b>
<b>Total accumulated depreciation</b>	<b>2,761,504</b>	<b>150,917</b>	<b>-</b>	<b>2,912,421</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 3,469,671</b>	<b>(139,117)</b>	<b>-</b>	<b>3,330,554</b>



**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 4. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities	
General government	\$ 40,996
Public Safety	87,795
Highway and Streets	<u>96,091</u>
<b>Total depreciation expense</b>	<b><u>\$ 224,882</u></b>

**NOTE 5. NOTE RECEIVABLE**

The note receivable listed in the Proprietary Funds reflects the balance due to the Village of Capitan from the Village of Ruidoso as a result of the dissolution of the Eagle Creek Inter-Community Water Supply Association, Inc. During the fiscal year ended June 30, 1998, Capitan received water rights valued at \$2,962,692, a pipeline valued at \$196,678, cash in the amount of \$225,048, and a note receivable in the amount of \$894,161. The note is payable in twenty annual installments of \$108,634.54, including interest at 10.5%, beginning May 26, 1999, and maturing May 26, 2019. The debt is to be paid from Ruidoso's water revenue sources only and is not considered to be a general obligation of the Village of Ruidoso.

Note receivable activity for the year was as follows:

	Balance		Balance
	June 30, 2007	Payments	June 30, 2008
	<u>\$ 689,655</u>	<u>(36,223)</u>	<u>653,432</u>

Maturities of the note are as follows:

Year Ending			
June 30	Principal	Interest	Total
2009	\$ 40,026	68,609	108,635
2010	44,229	64,406	108,635
2011	48,873	59,762	108,635
2012	54,005	54,630	108,635
2013	59,675	48,960	108,635
Thereafter	<u>406,624</u>	<u>136,551</u>	<u>543,175</u>
	<u>\$ 653,432</u>	<u>432,918</u>	<u>1,086,350</u>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 6. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS**

During the year ended June 30, 2008, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans payable	\$ 320,436	-	(117,929)	<b>202,507</b>	41,917
Compensated absences	<u>8,428</u>	<u>3,750</u>	<u>(3,977)</u>	<u><b>8,201</b></u>	<u>3,000</u>
<b>Total</b>	<u><b>\$ 328,864</b></u>	<u><b>3,750</b></u>	<u><b>(121,906)</b></u>	<u><b>210,708</b></u>	<u><b>44,917</b></u>

Payroll is tracked on a per-fund basis. Compensated absences relating to employees of a given fund are liquidated with money from that fund. The majority of compensated absences have been liquidated with money from the general fund.

*Long-Term Notes Payable.* The Village is obligated to the New Mexico Finance Authority under certain notes that are accounted for as a long-term notes payable. The assets are the village hall renovation, a fire truck and a police car. The assets under notes payable totaled \$578,854 at June 30, 2008.

The following is a schedule of the debt service requirements to maturity for the note payable for the Village Hall renovations:

Year Ending June 30:

	Principal	Interest	Total
2009	\$ 14,123	-	14,123
2010	<u>14,158</u>	<u>-</u>	<u>14,158</u>
<b>Total</b>	<u><b>\$ 28,281</b></u>	<u><b>-</b></u>	<u><b>28,281</b></u>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 6. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS**  
**(CONTINUED)**

The following is a schedule of the debt service requirements to maturity for the note payable for the fire truck:

Year Ending June 30:

	Principal	Interest	Total
2009	\$ 12,127	2,829	14,956
2010	12,487	2,500	14,987
2011	12,873	2,146	15,019
2012	13,284	1,768	15,052
2013	<u>10,412</u>	<u>1,364</u>	<u>11,776</u>
<b>Total</b>	<b>\$ 61,183</b>	<b>10,607</b>	<b>71,790</b>

During the year ended June 30, 2007, the Village borrowed \$174,854 from the New Mexico Finance Authority to purchase a fire pumper truck. The loan is to be paid in ten yearly principal and interest payments. Interest is at 3.471%.

The following is a schedule of the debt service requirements to maturity for the note payable for the fire pumper truck:

Year Ending June 30:

	Principal	Interest	Total
2009	\$ 15,664	5,152	20,816
2010	16,171	4,668	20,839
2011	16,697	4,166	20,863
2012	17,242	3,645	20,887
2013	17,813	3,100	20,913
2014 to 2017	<u>29,456</u>	<u>4,471</u>	<u>33,927</u>
<b>Total</b>	<b>\$ 113,043</b>	<b>25,202</b>	<b>138,245</b>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 6. LONG-TERM OBLIGATIONS - GOVERNMENTAL FUNDS**  
**(CONTINUED)**

*Accrued Compensated Absences.* It is the policy of Village to grant each permanent and probationary full time employee annual leave based on the following schedule. Any unused annual leave is paid upon termination of employment. The maximum unused annual leave which an employee may accrue is 80 hours.

Total Years of Village Service	Yearly Accumulation
0-5 (inclusive)	14 days
5-10 (inclusive)	21 days
10- or more	28 days

**NOTE 7. LONG-TERM DEBT - ENTERPRISE FUNDS**

During the year ended June 30, 2008, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Compensated absences	\$ 11,045	3,300	(6,144)	8,201	2,000
Bonds payable	<u>655,501</u>	<u>-</u>	<u>(9,815)</u>	<u>645,686</u>	<u>8,100</u>
<b>Total</b>	<u>\$ 666,546</u>	<u>3,300</u>	<u>(15,959)</u>	<u>653,887</u>	<u>10,100</u>

The Water & Sewer Utility enterprise fund has the following bond issues outstanding:

Water/Sewer Serial Bonds held by GMAC Commercial, due in annual installments through January 1, 2018, interest at 4.5%.

Sewer System Serial Bonds held by GMAC Commercial, due in annual installments through January 1, 2015, interest at 5.0%.

Water System Improvement Bonds, Series - 2001 to Rural Utilities Service due in annual installments through December 19, 2041 interest at 4.75%.

Water System Improvement Bonds, Series - 2002 to Rural Utilities Service due in annual installments through February 13, 2042 interest at 4.75%.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 7. LONG-TERM DEBT - ENTERPRISE FUNDS (CONTINUED)**

The future requirements are as follows:

1977 Sewer System Bonds

Year Ending June 30	Principal	Interest	Total
2009	\$ 500	325	825
2010	1,000	275	1,275
2011	1,000	250	1,250
2012	1,000	200	1,200
2013	1,000	150	1,150
2014 - 2015	2,000	150	2,150
	<u>\$ 6,500</u>	<u>1,350</u>	<u>7,850</u>

Water System Improvement Bond, Series - 2001

Year Ending June 30	Principal	Interest	Total
2009	\$ 5,000	20,416	25,416
2010	5,000	20,178	25,178
2011	5,000	19,941	24,941
2012	5,000	19,703	24,703
2013	5,000	19,466	24,466
2014 to 2018	35,000	93,529	128,529
2019 to 2023	50,000	83,080	133,080
2024 to 2028	60,000	70,967	130,967
2029 to 2033	75,000	54,579	129,579
2034 to 2038	100,000	34,390	134,390
2049 to 2041	84,800	8,988	93,788
	<u>\$ 429,800</u>	<u>445,237</u>	<u>875,037</u>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 7. LONG-TERM DEBT - ENTERPRISE FUNDS (CONTINUED)**

Water System Improvement Bond, Series - 2002

Year Ending June 30	Principal	Interest	Total
2009	\$ 2,600	9,946	12,546
2010	2,700	9,822	12,522
2011	2,800	9,694	12,494
2012	3,000	9,561	12,561
2013	3,100	9,419	12,519
2014 to 2018	17,900	44,727	62,627
2019 to 2023	22,600	40,062	62,662
2024 to 2028	28,500	34,159	62,659
2029 to 2033	35,900	26,720	62,620
2034 to 2038	45,300	17,339	62,639
2039 to 2041	44,986	5,489	50,475
	<u>\$ 209,386</u>	<u>216,938</u>	<u>426,324</u>

**NOTE 8. INTERFUND OPERATING TRANSFERS**

The following is a schedule of operating transfers:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds		
General Fund	\$ 108,876	-
Enterprise funds		
Solid Waste Fund	-	108,876
<b>Total</b>	<u>\$ 108,635</u>	<u>108,635</u>

The above transfers were made as a result of the Village receiving the Eagle Creek note payment in the General Fund instead of the Water Fund. The money is left in the General Fund, which is reflected by an operating transfer.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 9. INTERFUND BALANCES**

Interfund balances at June 30, 2008 consisted of the following amounts:

Due to the general fund from:

Community Development Block Grant \$ 2,156

The due to/due from balances were caused by the general fund spending construction money on behalf of the community development block grant fund. They money had not been paid back as of the end of the fiscal year.

**NOTE 10. PROPERTY TAXES**

Lincoln County is responsible for assessing, collecting and distributing property taxes for the Village. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by May 10 of the following year. Property taxes are delinquent if not paid by December 10 and June 10. Taxes on real property are liened on January 1 of the year for which the taxes are imposed.

**NOTE 11. PERA PENSION PLAN**

The Village joined the Public Employees Retirement Plan in the year ending June 30, 2007.

*Plan Description:* The police officers of the Village participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Police officers are required to contribute 7.00% of their gross salary and the Village is required to make a matching contribution of 10%. The contribution requirements of plan members and the Village are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the year ending June 30, 2008 and 2007 was \$5,691 and \$1,753, equal to the amount of the required contributions for each year.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 12. PENSION PLAN AND DEFERRED COMPENSATION PLAN**

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all full-time employees after six months of employment. It permits them to defer a portion of their salary until future years. The Village contributes six percent of eligible employees salary to the plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Village (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Village's general creditors. Participants' rights under the plan are equal to those of general creditors of the Village in an amount equal to their fair market value of the deferred account for each participant.

It is the opinion of the Village management that the Village has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The Village believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**NOTE 13. RETIREE HEALTH CARE ACT**

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

**NOTE 14. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Village participates in the State of New Mexico Self-Insurers Fund for workers' compensation claims. In addition, the Village has obtained insurance through a commercial carrier operating as a common risk management and insurance program. The Village pays an annual premium to a commercial carrier for its general coverage and all risk of loss is transferred.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is reported in the General Long-Term Debt Account Group because it is not expected to be liquidated with expendable available financial resources.



**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 15. JOINT POWERS AGREEMENTS**

The Village of Capitan, Lincoln County, Lincoln County Solid Waste Authority, Village of Corona, Village of Ruidoso, Ruidoso Downs, and the Town of Carrizozo are in agreement to provide for the collection, transfer and disposal of solid waste. The responsible party is the Lincoln County Solid Waste Authority. The beginning and ending dates of this agreement are April 1991 to present. The total estimated amount of the project and portion applicable to the Village and the amount that the Village contributed in the current fiscal year is \$0. The audit responsibility is with the Lincoln County Solid Waste Authority.

The Village of Capitan (Village) and the Lincoln County Sheriff's Department (Department) are in agreement that the Village is to accept dispatch services and cooperate with dispatch services received, and the Department is to provide dispatch services and assist Village police in emergency situations involving fire, ambulance, and law enforcement protection. The parties have agreed to share responsibility. The beginning and ending dates of this agreement are November 24, 1997 to present. The total estimated amount of the project and portion applicable to the Village and the amount that the Village contributed in the current fiscal year is \$0. The audit responsibility remains with the individual entities.

The Villages of Capitan and Corona (Villages), County of Lincoln (County) and Town of Carrizozo (Town) have entered into a memorandum of understanding to develop and maintain a GIS addressing database for enhanced 911 services. The fiscal agent is the County. The agreement is perpetual and funding is contingent upon sufficient appropriations granted by the New Mexico State Legislature. Audit responsibility belongs to the County.

**NOTE 16. CONTINGENCIES**

*Litigation.* Claims have been filed against the Village and are in various stages of processing, and some may ultimately be brought to trial. It is not possible to estimate the likelihood and amount of such claims. Accordingly, no accrual has been made for them.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NON-MAJOR FUNDS**  
**June 30, 2008**

**SPECIAL REVENUE FUNDS**

*Cemetery Fund.* To account for revenue from sale of lots and donations to be used for cemetery improvements. Authority is NMSA 58-17-4.

*Court Fund.* To account for revenue associated to court processes. Authority is by Village resolution.

*Court Escrow Fund.* To account for bonds associated to court processes. Authority is by Village resolution.

*Corrections Fund.* To establish an additional sources of funds for municipalities to offset the costs of corrections. The source of funds is a five-dollar fee which must be paid by all persons violating laws relating the operations of a motor vehicle. Authority is NMSA 33-9-3.

*Fire Equipment Fund.* To account for fees paid by the State to the Village fire department for extinguishing fires of state lands. Monies are restricted to obtaining and upgrading fire equipment. Authority is by Village resolution.

*Fire Protection Fund.* To account for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. Authority is NMSA 59-A-53-1.

*Infrastructure Fund.* To account for the operations and maintenance of funds restricted for the repair and replacement of infrastructure improvements. The funds may be used only for sewer and street repairs and replacements or for the acquisition of rights-of-way. The fund is a special revenue fund. Authority is NMSA 7-21-115.

*Lodger's Tax.* To account for lodger's tax collections. The tax is to be used for cultural and recreational activities. Authority is NMSA 3-38-14.

*Juvenile Recreation.* To account for revenues and expenditures relating to village recreational facilities and programs. Financing is provided by the State. Such revenue provides for payment of all current operating costs and may be used for that purpose only. Authority is NMSA 7-12-15.

*Law Enforcement Protection.* To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Authority is NMSA 29-13-4.

*Smokey Bear Donations.* To account for donations that will be used to upgrade and support the museum itself. Authority is by Village resolution.

*Environmental Gross Receipts Tax Fund.* To account for the revenue received from the State through gross receipts and subsequently given to the Otero/Lincoln County Regional Landfill in accordance with a joint powers agreement. Authority is by Joint Powers Agreement.

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	Cemetery	Court	Court Escrow
<b>ASSETS</b>			
Cash and investments	\$ 27,382	2,937	32
Receivables			
Gross receipts	-	-	-
Gas	-	-	-
<b>Total assets</b>	<b>\$ 27,382</b>	<b>2,937</b>	<b>32</b>
<b>FUND BALANCES</b>			
Unreserved, undesignated, special revenues	\$ 27,382	2,937	32
<b>Total fund balances</b>	<b>27,382</b>	<b>2,937</b>	<b>32</b>
<b>Total fund balances</b>	<b>\$ 27,382</b>	<b>2,937</b>	<b>32</b>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	Corrections	Fire Equipment	Fire Protection
<b>ASSETS</b>			
Cash and investments	\$ 23,443	20,290	9,185
Receivables			
Gross receipts	-	-	-
Gas	-	-	-
<b>Total assets</b>	<b>\$ 23,443</b>	<b>20,290</b>	<b>9,185</b>
<b>FUND BALANCES</b>			
Unreserved, undesignated, special revenues	\$ 23,443	20,290	9,185
<b>Total fund balances</b>	<b>23,443</b>	<b>20,290</b>	<b>9,185</b>
<b>Total fund balances</b>	<b>\$ 23,443</b>	<b>20,290</b>	<b>9,185</b>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	Infrastructure	Lodgers Tax	Juvenile Recreation
<b>ASSETS</b>			
Cash and investments	\$ 41,470	7,017	2,265
Receivables			
Gross receipts	4,365	-	
Gas	1,909	-	
<b>Total assets</b>	<u>\$ 47,744</u>	<u>7,017</u>	<u>2,265</u>
<b>FUND BALANCES</b>			
Unreserved, undesignated, special revenues	\$ 47,744	7,017	2,265
<b>Total fund balances</b>	<u>47,744</u>	<u>7,017</u>	<u>2,265</u>
<b>Total fund balances</b>	<u>\$ 47,744</u>	<u>7,017</u>	<u>2,265</u>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
<b>ASSETS</b>			
Cash and investments	\$ 1,058	4,849	4
Receivables			
Gross receipts	-	-	2,182
Gas	-	-	-
<b>Total assets</b>	<u>\$ 1,058</u>	<u>4,849</u>	<u>2,186</u>
 <b>FUND BALANCES</b>			
Unreserved, undesignated, special revenues	\$ 1,058	4,849	2,186
<b>Total fund balances</b>	<u>1,058</u>	<u>4,849</u>	<u>2,186</u>
 <b>Total fund balances</b>	 <u>\$ 1,058</u>	 <u>4,849</u>	 <u>2,186</u>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	Total Non-major
<b>ASSETS</b>	
Cash and investments	\$ 139,932
Receivables	
Gross receipts	6,547
Gas	1,909
<b>Total assets</b>	<u>\$ 148,388</u>
 <b>FUND BALANCES</b>	
Unreserved, undesignated, special revenues	<u>\$ 148,388</u>
<b>Total fund balances</b>	<u>148,388</u>
 <b>Total fund balances</b>	 <u>\$ 148,388</u>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2008**

	Cemetery	Court	Court Escrow
<b>Revenues</b>			
Taxes	\$ -	-	-
Licenses, permits, fees, fines	-	9,998	-
Intergovernmental	-	-	-
Interest and investment income	83	3	-
Sales	3,133	-	-
Other	-	-	-
<b>Total revenues</b>	<b>3,216</b>	<b>10,001</b>	<b>-</b>
<b>Expenditures</b>			
Current			
General government	1,977	-	-
Public safety	-	7,826	-
Highways and streets	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>1,977</b>	<b>7,826</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,239</b>	<b>2,175</b>	<b>-</b>
<b>Fund balance, beginning of year</b>	<b>26,143</b>	<b>762</b>	<b>32</b>
<b>Fund balance, end of year</b>	<b>\$ 27,382</b>	<b>2,937</b>	<b>32</b>



**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2008**

	Corrections	Fire Equipment	Fire Protection
<b>Revenues</b>			
Taxes	\$ -	-	-
Licenses, permits, fees, fines	2,120	-	-
Intergovernmental	-	7,477	131,621
Interest and investment income	72	50	2,339
Sales	-	-	-
Other	-	-	-
<b>Total revenues</b>	<b>2,192</b>	<b>7,527</b>	<b>133,960</b>
<b>Expenditures</b>			
Current			
General government	-	-	-
Public safety	-	1,800	50,563
Highways and streets	-	-	-
Debt service	-	-	106,945
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>1,800</b>	<b>157,508</b>
<b>Net change in fund balances</b>	<b>2,192</b>	<b>5,727</b>	<b>(23,548)</b>
<b>Fund balance, beginning of year</b>	<b>21,251</b>	<b>14,563</b>	<b>32,733</b>
<b>Fund balance, end of year</b>	<b>\$ 23,443</b>	<b>20,290</b>	<b>9,185</b>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2008**

	Infrastructure	Lodgers Tax	Juvenile Recreation
<b>Revenues</b>			
Taxes	\$ 51,276	5,271	-
Licenses, permits, fees, fines	-	-	-
Intergovernmental	-	-	625
Interest and investment income	118	17	6
Sales	-	-	-
Other	-	-	-
<b>Total revenues</b>	<u>51,394</u>	<u>5,288</u>	<u>631</u>
<b>Expenditures</b>			
Current			
General government	-	2,806	-
Public safety	-	-	-
Highways and streets	46,332	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>46,332</u>	<u>2,806</u>	<u>-</u>
Net change in fund balances	<u>5,062</u>	<u>2,482</u>	<u>631</u>
Fund balance, beginning of year	<u>42,682</u>	<u>4,535</u>	<u>1,634</u>
<b>Fund balance, end of year</b>	<u><u>\$ 47,744</u></u>	<u><u>7,017</u></u>	<u><u>2,265</u></u>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2008**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
Revenues			
Taxes	\$ -	-	11,302
Licenses, permits, fees, fines	-	-	-
Intergovernmental	21,345	-	-
Interest and investment income	432	-	-
Sales	-	-	-
Other	-	665	-
<b>Total revenues</b>	<b>21,777</b>	<b>665</b>	<b>11,302</b>
Expenditures			
Current			
General government	-	-	11,852
Public safety	10,700	-	-
Highways and streets	-	-	-
Debt service	7,833	-	-
Capital outlay	3,093	-	-
<b>Total expenditures</b>	<b>21,626</b>	<b>-</b>	<b>11,852</b>
Net change in fund balances	151	665	(550)
Fund balance, beginning of year	907	4,184	2,736
<b>Fund balance, end of year</b>	<b>\$ 1,058</b>	<b>4,849</b>	<b>2,186</b>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2008**

	Total Non-major
Revenues	
Taxes	\$ 67,849
Licenses, permits, fees, fines	12,118
Intergovernmental	161,068
Interest and investment income	3,120
Sales	3,133
Other	665
	<hr/>
<b>Total revenues</b>	<b>247,953</b>
	<hr/>
Expenditures	
Current	
General government	16,635
Public safety	70,889
Highways and streets	46,332
Debt service	114,778
Capital outlay	3,093
	<hr/>
<b>Total expenditures</b>	<b>251,727</b>
	<hr/>
Net change in fund balances	(3,774)
	<hr/>
Fund balance, beginning of year	152,162
	<hr/>
<b>Fund balance, end of year</b>	<b>\$ 148,388</b>
	<hr/> <hr/>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CEMETERY**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Plot sales	\$ 7,400	7,400	3,133	(4,267)
Interest	65	65	83	18
Other	50	50	-	(50)
<b>Total revenues</b>	<b>7,515</b>	<b>7,515</b>	<b>3,216</b>	<b>(4,299)</b>
<b>Expenditures</b>				
General government	4,900	4,900	1,977	2,923
<b>Total expenditures</b>	<b>4,900</b>	<b>4,900</b>	<b>1,977</b>	<b>2,923</b>
<b>Net change in fund balance</b>	<b>\$ 2,615</b>	<b>2,615</b>	<b>1,239</b>	<b>(1,376)</b>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CORRECTIONS**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Licenses and permits and fees	\$ 2,000	2,000	2,120	120
Interest	61	61	72	11
<b>Total revenues</b>	<b>2,061</b>	<b>2,061</b>	<b>2,192</b>	<b>131</b>
<b>Expenditures</b>				
Public safety	2,300	2,300	-	2,300
<b>Total expenditures</b>	<b>2,300</b>	<b>2,300</b>	<b>-</b>	<b>2,300</b>
Net change in fund balance	(239)	(239)	2,192	2,431
Prior year cash appropriated	239	239		
	<u>\$ -</u>	<u>-</u>		

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**FIRE PROTECTION**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 36,704	36,704	-	(36,704)
Intergovernmental	80,464	80,464	131,621	51,157
Interest and investment income	5,218	5,218	2,339	(2,879)
<b>Total revenues</b>	<b>122,386</b>	<b>122,386</b>	<b>133,960</b>	<b>11,574</b>
<b>Expenditures</b>				
Public safety	51,703	61,803	50,563	11,240
Capital outlay	-	-	-	-
Debt service	77,754	77,754	106,945	(29,191)
<b>Total expenditures</b>	<b>129,457</b>	<b>139,557</b>	<b>157,508</b>	<b>(17,951)</b>
Net change in fund balance	(7,071)	(17,171)	(23,548)	(6,377)
Prior year fund balance	7,071	17,171	23,548	
	<b>\$ -</b>	<b>-</b>	<b>-</b>	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**INFRASTRUCTURE**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 44,900	44,900	49,929	5,029
Interest and investment income	100	100	118	18
<b>Total revenues</b>	<u>45,000</u>	<u>45,000</u>	<u>50,047</u>	<u>5,047</u>
<b>Expenditures</b>				
Highways and streets	45,000	47,000	46,332	668
<b>Total expenditures</b>	<u>45,000</u>	<u>47,000</u>	<u>46,332</u>	<u>668</u>
Net change in fund balance	<u>\$ -</u>	<u>(2,000)</u>	<u>3,715</u>	<u>5,715</u>
Prior year cash appropriated		<u>2,000</u>		
		<u>-</u>		
Non-GAAP change in fund balance			\$ 3,715	
Change in:				
Accounts receivable			<u>1,347</u>	
GAAP change in fund balance			<u>\$ 5,062</u>	



**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**LODGER'S TAX**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,000	6,000	5,271	(729)
Interest and investment income	15	15	17	2
<b>Total revenues</b>	<u>6,015</u>	<u>6,015</u>	<u>5,288</u>	<u>(727)</u>
Expenditures				
General government	8,000	8,000	2,806	5,194
<b>Total expenditures</b>	<u>8,000</u>	<u>8,000</u>	<u>2,806</u>	<u>5,194</u>
Net change in fund balance	(1,985)	(1,985)	<u>2,482</u>	<u>4,467</u>
Prior year cash appropriated	1,985	1,985		
	<u>\$ -</u>	<u>-</u>		

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**JUVENILE RECREATION**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 575	575	625	50
Interest and investment income	15	15	6	(9)
<b>Total revenues</b>	<u>590</u>	<u>590</u>	<u>631</u>	<u>41</u>
Expenditures				
General government	1,000	1,000	-	1,000
<b>Total expenditures</b>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net change in fund balance	(410)	(410)	631	1,041
Prior year fund balance	410	410		
	<u>\$ -</u>	<u>-</u>		

VILLAGE OF CAPITAN, NEW MEXICO  
 STATEMENT OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)  
 LAW ENFORCEMENT PROTECTION  
 Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 13,141	13,141	21,345	8,204
Interest and investment income	-	-	432	432
Other	8,059	8,059	-	(8,059)
<b>Total revenues</b>	<u>21,200</u>	<u>21,200</u>	<u>21,777</u>	<u>577</u>
<b>Expenditures</b>				
Public safety	13,141	13,841	10,700	3,141
Debt service	8,059	8,059	7,833	226
Capital outlay	-	-	3,093	(3,093)
<b>Total expenditures</b>	<u>21,200</u>	<u>21,900</u>	<u>21,626</u>	<u>274</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(700)</u>	<u>151</u>	<u>851</u>
		<u>700</u>		
		<u>\$ -</u>		

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**ENVIRONMENTAL GROSS RECEIPTS TAX**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,400	9,400	11,133	1,733
<b>Total revenues</b>	<u>9,400</u>	<u>9,400</u>	<u>11,133</u>	<u>1,733</u>
Expenditures				
General government	9,400	14,400	11,852	2,548
<b>Total expenditures</b>	<u>9,400</u>	<u>14,400</u>	<u>11,852</u>	<u>2,548</u>
Net change in fund balance	<u>\$ -</u>	<u>(5,000)</u>	<u>(719)</u>	<u>4,281</u>
Prior year cash appropriated		<u>5,000</u>		
		<u>-</u>		
Non-GAAP change in fund balance			\$ (719)	
Change in:				
Accounts receivable			<u>169</u>	
GAAP change in fund balance			<u>\$ (550)</u>	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**UTILITY WATER AND SEWER ENTERPRISE FUND**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Sales and services	\$ 512,505	512,505	454,550	(57,955)
Lease of water rights	-	-	85,650	85,650
Interest	2,000	2,000	83,316	81,316
Other	-	-	2,389	2,389
<b>Total revenues</b>	<b>514,505</b>	<b>514,505</b>	<b>625,905</b>	<b>111,400</b>
<b>Expenses</b>				
Operating expense	624,703	826,568	502,224	324,344
Interest expense	-	-	31,624	(31,624)
Debt payments	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenses</b>	<b>624,703</b>	<b>826,568</b>	<b>533,848</b>	<b>292,720</b>
Excess of revenues over expenses	(110,198)	(312,063)	92,057	404,120
Other financing uses				
Transfers out	-	-	(108,876)	(108,876)
Net change in net assets	(110,198)	(312,063)	(16,819)	295,244
Prior year cash appropriated	110,198	312,063		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			(16,819)	
Change in:				
Receivables			(7,130)	
Accrued expenses			(4,953)	
Compensated absences			2,844	
Non-budgeted items:				
Depreciation			(150,629)	
GAAP change in net assets			<u>\$ (176,687)</u>	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**SMOKEY BEAR ENTERPRISE FUND**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales	\$ 100,250	100,250	78,140	(22,110)
Interest	100	100	123	23
Other	-	-	64	64
<b>Total revenues</b>	<u>100,350</u>	<u>100,350</u>	<u>78,327</u>	<u>(22,023)</u>
Expenses				
Operating expense	81,931	81,931	65,020	16,911
Net change in net assets	<u>\$ 18,419</u>	<u>18,419</u>	<u>13,307</u>	<u>(5,112)</u>
Non-GAAP change in fund balance			13,307	
Change in:				
Accounts payable			29	
Accrued expenses			595	
Compensated absences			(979)	
Non-budgeted items:				
Depreciation			<u>(288)</u>	
GAAP change in net assets			<u>\$ 12,664</u>	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**AGENCY FUNDS**  
**June 30, 2008**

To account for motor vehicle fees collected by the Village on behalf of the State of New Mexico.

VILLAGE OF CAPITAN, NEW MEXICO  
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<b>ASSETS</b>				
Cash	\$ 346	138,040	136,993	1,393
<b>Total assets</b>	<u>\$ 346</u>	<u>138,040</u>	<u>136,993</u>	<u>1,393</u>
<b>LIABILITIES</b>				
Due to Motor Vehicles Division	\$ 346	138,040	136,993	1,393
<b>Total liabilities</b>	<u>\$ 346</u>	<u>138,040</u>	<u>136,993</u>	<u>1,393</u>



VILLAGE OF CAPITAN  
SCHEDULE OF DEPOSIT ACCOUNTS  
June 30, 2008

Depository	Account Name	Type	Depository Balance	Reconciled Balance
First Federal Bank	General Fund	Checking	\$ 607,808	568,799
First Federal Bank	Smokey Bear Donation	Checking	4,849	4,849
First Federal Bank	Water	Checking	246,293	233,249
First Federal Bank	Payroll	Checking	27,601	24,883
First Federal Bank	CDBG	Checking	-	11,863
First Federal Bank	Cemetery	Checking	28,382	27,382
First Federal Bank	Court Escrow	Checking	32	32
First Federal Bank	Court	Checking	2,937	2,937
First Federal Bank	Correction	Checking	23,438	23,443
First Federal Bank	Fire Equipment	Checking	20,290	20,290
First Federal Bank	Fire Department	Checking	55,547	5,635
First Federal Bank	Infrastructure	Checking	38,364	41,470
First Federal Bank	Lodger's tax	Checking	7,017	7,017
First Federal Bank	Juvenile recreation	Checking	2,265	2,265
First Federal Bank	Law enforcement protection	Checking	1,875	766
First Federal Bank	Smokey Bear enterprise	Checking	47,099	42,156
First Federal Bank	Solid waste	Checking	24,941	11,667
First Federal Bank	Environmental gross receipts tax	Checking	4	4
First Federal Bank	Water security	Checking	37,693	36,913
Total cash and cash equivalents - non-agency funds with financial institutions			1,176,435	1,065,620
Petty Cash	Water		-	300
Total cash and cash equivalents - non-agency funds			1,176,435	1,065,920
NM State Treasurer	LGIP - General Fund	Investment	513,011	513,011
NM State Treasurer	LGIP - Water Fund	Investment	134,410	134,410
Bank of Albuquerque	NMFA Debt Svc - Building	Investment	4,946	4,946
Bank of Albuquerque	NMFA Debt Svc - Fire Pumper Truck	Investment	38	38
Bank of Albuquerque	NMFA Debt Svc - Fire Pumper	Investment	3,515	3,515
Bank of Albuquerque	NMFA Debt Svc - Police Vehicle	Investment	292	292
			656,212	656,212
Total deposit and investment accounts - non-agency			\$ 1,832,647	1,722,132
Agency funds cash accounts				
First Federal Bank	MVD	Checking	\$ 3,435	1,193
Total cash and cash equivalents - agency funds with financial institutions				
Petty Cash	MVD Clerk		-	200
Total cash - agency funds			\$ 3,435	1,393

**VILLAGE OF CAPITAN, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2008**

	<u>First Federal</u>
Deposits at June 30, 2008	\$ 1,176,435
Less: FDIC coverage	100,000
Uninsured public funds	<u>1,076,435</u>
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	894,709
Uninsured and uncollateralized	<u>\$ 181,726</u>
50% pledged collateral requirement per statute	\$ 538,218
Total pledged collateral	894,709
Pledged collateral over the requirement	<u>\$ (356,492)</u>

Pledged collateral at June 30, 2008 consists of the following:

Security	CUSIP	Maturity	Market Value
FNMA Agency Note	31410AAD8	7/1/2036	\$ 376,037
FNMA Agency Note	31410AAD8	7/1/2036	518,672
			<u>\$ 894,709</u>

The custodian of the pledged securities for First Federal bank is the Federal Home Loan Bank of Dallas in Dallas, Texas.

# PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS  
3915 CARLISLE BLVD NE  
ALBUQUERQUE, NM 87107

## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Governmental Auditing Standards***

Mr. Hector H. Balderas, State Auditor and  
Sammy L. Hammons, Mayor and  
The Board of Trustees  
Village of Capitan, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and budgetary comparisons of the general fund and CDBG fund, of the Village of Capitan (Village), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 20, 2008. We also have audited the financial statements of each of the Village's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules, and budgetary comparisons, as of and for the year ended June 30, 2008, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing 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 Village's internal control over financial reporting.

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

Mr. Hector H. Balderas, State Auditor and  
Sammy L. Hammons, Mayor and  
The Board of Trustees  
Village of Capitan, New Mexico

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 08-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described in the accompanying schedule of findings and responses as items 07-1 and 08-1.

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

Mr. Hector H. Balderas, State Auditor and  
Sammy L. Hammons, Mayor and  
The Board of Trustees  
Village of Capitan, New Mexico

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

*Porch & Associates LLC*

Albuquerque, New Mexico  
November 20, 2008

**VILLAGE OF CAPITAN, NEW MEXICO**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2008**

07-1	Disaster recover plan	Resolved
07-2	Preparation of financial statements	Modified and repeated
07-3	Budget overage	Resolved

**VILLAGE OF CAPITAN, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**07-2 Preparation of Financial Statements (Significant Deficiency)**

**CONDITION**

The Auditing Standards Board has issued *Statement on Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit* (SAS 112). The new standard provides guidance to auditors on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. The standard requires the auditor to evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses.

SAS 112 provides examples of circumstances that may be control deficiencies, significant deficiencies or material weaknesses (these terms are defined in the report on internal control above). One of the examples provided by SAS 112 is:

Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

The auditor prepares the financial statements for the Village because Village staff does not have the training or experience to prepare financial statements.

**CRITERIA**

The Village's accounting staff should have the training and experience necessary to prepare the Village's financial statements. SAS 112 indicates that a lack of qualifications to prepare the financial statements is a control deficiency.

**CAUSE**

The Village's accounting staff has not been trained on Governmental Accounting Standards and the related procedures to prepare financial statements.

**EFFECT**

The Village's management and accounting staff may not be able to detect errors in reporting or financial presentation if they exist. Management may not be qualified to review the financial statements prepared by the auditor.

**VILLAGE OF CAPITAN, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**07-2 Preparation of Financial Statements (Significant Deficiency) (Continued)**

**RECOMMENDATION**

We recommend that Village employees who participate in the accounting function obtain training in governmental accounting and the preparation of financial statements.

**MANAGEMENT RESPONSE**

The Village of Capitan has always had the auditor prepare the financial statements for the Village. The current Deputy Clerk does all the accounting and the preparing of the budget for the Village. She and I are willing to take the courses necessary to be able to do the governmental accounting and the preparation of financial statements. This will have to be taken before the Mayor and Trustees for discussion and approval.



**VILLAGE OF CAPITAN, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**08-1 Travel and Per Diem Disbursements**

**CONDITION**

We tested 12 travel and per diem disbursements as part of our audit and noted that for two of the items tested the employees were given 100% advances.

**CRITERIA**

NMAC 2.42.2.10 states that employee's may be advance up to 80% of per diem rates and mileage cost or for the actual cost of lodging and meals in advance of travel.

**CAUSE**

The Village was not aware of the necessity to only advance up to 80% of travel expenses.

**EFFECT**

The employees may have received more money than necessary for their travel.

**RECOMMENDATION**

The Village should implement a procedure that limits travel advances to 80%.

**MANAGEMENT RESPONSE**

Whenever it is necessary to advance payment of per diem, only 80% will be given to the employee and the balance of 20% will be given when they return. The Village's travel and expenses sheet will be changed to reflect this.

**VILLAGE OF CAPITAN, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**08-2 Internal Controls over Cash Receipts**

**CONDITION**

As part of our audit we considered internal controls over cash receipts. We noted the following:

- There is no sign visible in the lobby indicating that customers should receive a receipt for all cash payments.
- Four of the five cash registers owned by the Village do not have a way to track transactions occurring in the drawer.

**CRITERIA**

One of the assertions inherent in the financial statements is completeness. Because the Village does not have a system in place to track all transactions completed in a cash drawer, we cannot determine if cash is complete and accurate, or has been fraudulently diverted. Good internal controls dictate the use of a cash register with the ability to track all transactions that have occurred. Use of a sign informing the customer of the need to obtain a receipt is also a good internal control.

**CAUSE**

The Village has other mitigating controls in place. The Village believes these controls are sufficient to prevent fraud.

**EFFECT**

Funds could be fraudulently diverted, understating revenues.

**RECOMMENDATION**

The Village should consider purchasing a sign which contains a statement similar to the following: "If you do not receive a receipt for your transaction, please notify the village manager at the following number". The Village should also consider purchasing cash registers with the ability to run a daily register tape that summarizes all transactions.

**MANAGEMENT RESPONSE**

Signs will be made as per the auditor's recommendation regarding cash receipts. The Village of Capital will purchase cash registers for all departments that handle cash in order to document and control the cash being accepted by the employees.

**VILLAGE OF CAPITAN, NEW MEXICO  
EXIT CONFERENCE  
Year Ended June 30, 2008**

An exit conference was held on September 5, 2008, and attended by the following:

Village of Capitan, New Mexico

Sammy L. Hammons, Mayor  
Kay Strickland, Village Clerk/Treasurer  
Shirley Pavlovic, Deputy Clerk  
Helen Diane Riska, Trustee

Porch & Associates LLC

Thad Porch, Partner

\* \* \* \* \*

The financial statements were prepared by Porch & Associates LLC from the books and records of the Village of Capitan. However, the contents of these financial statements remain the responsibility of the Village's management.