

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF CAPITAN, NEW MEXICO

**Financial Statements, Supplementary Information
and
Independent Auditors' Report**

June 30, 2009

VILLAGE OF CAPITAN, NEW MEXICO

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
List of Principal Officials	i

FINANCIAL SECTION

Independent Auditors' Report	1
------------------------------------	---

Basic Financial Statements

Statement of Net Assets	3
-------------------------------	---

Statement of Activities	4
-------------------------------	---

Balance Sheet – Governmental Funds	5
--	---

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	6
--	---

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
--	---

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
--	---

Statement of Revenues and Expenditures – Budget and Actual – (Non-GAAP Budgetary Basis): General Fund	9
---	---

Balance Sheet – Proprietary Funds	10
---	----

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	12
---	----

Statement of Cash Flows – Proprietary Funds	13
---	----

Statement of Fiduciary Net Assets	15
---	----

VILLAGE OF CAPITAN, NEW MEXICO

TABLE OF CONTENTS (CONTINUED)

Basic Financial Statements (Continued)

	Page
Notes to Financial Statements.....	16

Combining and Individual Fund Statements

Nonmajor Funds

Combining Balance Sheet.....	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	43
Statements of Revenues and Expenditures – Budget and Actual – (Non-GAAP Budgetary Basis):	
Cemetery	48
Court	49
Corrections.....	50
Fire Equipment	51
Fire Protection.....	52
Infrastructure.....	53
Lodger’s Tax.....	54
Juvenile Recreation.....	55
Law Enforcement Protection	56
Smokey Bear Donation.....	57
Environmental Gross Receipts Tax	58
Statements of Revenues and Expenses – Budget and Actual – (Non-GAAP Budgetary Basis):	
Utility Water and Sewer Enterprise Fund.....	59
Solid Waste Enterprise Fund	60
Smokey Bear Enterprise Fund	61

VILLAGE OF CAPITAN, NEW MEXICO
TABLE OF CONTENTS (CONTINUED)

	Page
SUPPLEMENTAL SCHEDULES	
Schedule of Changes in Assets and Liabilities – Agency Funds.....	63
Schedule of Deposit and Investment Accounts	64
Schedule of Pledged Collateral.....	65
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 <i>Governmental</i> <i>Auditing Standards</i>	66
Summary Schedule of Prior Audit Findings.....	69
Schedule of Findings and Responses.....	70
Exit Conference	71

VILLAGE OF CAPITAN, NEW MEXICO

**List of Principal Officials
June 30, 2009**

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/Finance Officer

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, of the Village of Capitan (Village), as of and for the year ended June 30, 2009, 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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general 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 September 20, 2009 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, 2009, 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
September 20, 2009

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 1,327,830	660,642	1,988,472
Cash - restricted	16,200	-	16,200
Receivables			
Accounts receivable, net of allowance	-	61,312	61,312
Taxes	89,670	-	89,670
Grants	51,545	-	51,545
Inventory	-	13,529	13,529
Note receivable, due in one year	-	40,026	40,026
Note receivable, due in more than one year	-	573,380	573,380
Capital assets, not depreciated	87,675	4,025,632	4,113,307
Capital assets, net of accumulated depreciation	3,342,384	3,211,201	6,553,585
	<hr/>		
Total assets	4,915,304	8,585,722	13,501,026
	<hr/>		
LIABILITIES			
Accounts payable	2,004	31	2,035
Sales tax payable	-	3,058	3,058
Fees payable	-	277	277
Accrued compensation and benefits	22,008	7,254	29,262
Interest payable	-	12,826	12,826
Deposits payable	-	34,595	34,595
Compensated absences, due in one year	3,000	3,463	6,463
Compensated absences, due in more than one year	15,250	11,788	27,038
Long-term liabilities, due in one year	44,891	8,200	53,091
Long-term liabilities, due in more than one year	109,995	634,386	744,381
	<hr/>		
Total liabilities	197,148	715,878	913,026
	<hr/>		
NET ASSETS			
Invested in capital assets, net of related debt	3,275,173	6,594,247	9,869,420
Restricted for:			
Inventory	-	13,529	13,529
Unrestricted	1,442,983	1,262,068	2,705,051
	<hr/>		
Total net assets	\$ 4,718,156	7,869,844	12,588,000
	<hr/> <hr/>		

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

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

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	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 341,310	30,957	656,106	166,084	511,837	-	511,837
Public safety	721,433	86,774	158,946	-	(475,713)	-	(475,713)
Highways and streets	372,195	-	-	99,856	(272,339)	-	(272,339)
Total governmental activities	1,434,938	117,731	815,052	265,940	(236,215)	-	(236,215)
Business-type activities							
Utility Water and Sewer	579,635	546,806	-	-	-	(32,829)	(32,829)
Solid Waste	150,920	169,454	-	-	-	18,534	18,534
Smokey Bear Enterprise	73,003	72,904	-	-	-	(99)	(99)
Total business-type activities	803,558	789,164	-	-	-	(14,394)	(14,394)
Total primary government	\$ 2,238,496	906,895	815,052	265,940	(236,215)	(14,394)	(250,609)
General Revenues							
Franchise taxes					27,369	-	27,369
Gasoline taxes					26,670	-	26,670
Gross receipts taxes					468,088	-	468,088
Property taxes					35,633	-	35,633
Cigarette taxes					1,781	-	1,781
Lodgers taxes					5,321	-	5,321
Interest and investment earnings					11,820	73,333	85,153
Lease of water rights					-	68,550	68,550
Other					31,395	-	31,395
Operating transfers					102,386	(102,386)	-
Total general revenues					710,463	39,497	749,960
Change in net assets					474,248	25,103	499,351
Net assets, beginning					4,243,908	7,844,741	12,088,649
Net assets, ending					\$ 4,718,156	7,869,844	12,588,000

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

**VILLAGE OF CAPITAN, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and investments	\$ 1,147,760	180,070	1,327,830
Cash - restricted	16,200	-	16,200
Receivables			
Taxes			
Property	3,668	-	3,668
Gross receipts	70,553	5,478	76,031
Gas	1,066	2,360	3,426
Franchise	6,545	-	6,545
Grants	51,545	-	51,545
	<hr/>		
Total assets	\$ 1,297,337	187,908	1,485,245
	<hr/> <hr/>		
LIABILITIES			
Accounts payable	\$ -	2,004	2,004
Accrued compensation and benefits	22,008	-	22,008
Deferred revenue	58,415	-	58,415
	<hr/>		
Total liabilities	80,423	2,004	82,427
	<hr/>		
FUND BALANCES			
Unreserved, undesignated reported in:			
General fund	1,216,914	-	1,216,914
Special revenue funds	-	185,887	185,887
Capital projects funds	-	17	17
	<hr/>		
Total fund balances	1,216,914	185,904	1,402,818
Total liabilities and fund balances	\$ 1,297,337	187,908	1,485,245
	<hr/> <hr/>		

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, 2009

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

Total fund balance - governmental funds	\$ 1,402,818
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method	58,415
Accrued compensated absences not payable from current revenues	(18,250)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	3,430,059
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>(154,886)</u>
Net assets - governmental activities	<u><u>\$ 4,718,156</u></u>

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, 2009

	General	Nonmajor Governmental Funds	Total
Revenues			
Taxes	\$ 503,814	61,049	564,863
Licenses, permits, fees, fines	49,643	61,488	111,131
Federal sources			
Grant	346,183	-	346,183
Non-federal sources			
Intergovernmental	309,029	325,924	634,953
Grant	303,338	-	303,338
Interest and investment income	9,977	1,843	11,820
Sales	-	6,600	6,600
Other	30,743	652	31,395
Total revenues	<u>1,552,727</u>	<u>457,556</u>	<u>2,010,283</u>
Expenditures			
Current			
General government	261,963	18,122	280,085
Public safety	335,155	122,205	457,360
Highways and streets	228,675	23,569	252,244
Debt service	14,123	75,669	89,792
Capital outlay	531,714	222,646	754,360
Total expenditures	<u>1,371,630</u>	<u>462,211</u>	<u>1,833,841</u>
(Deficiency) excess of revenues over expenditures before other financings sources	<u>181,097</u>	<u>(4,655)</u>	<u>176,442</u>
Other Financing Sources			
Proceeds from the issuance of debt	-	42,171	42,171
Operating transfers in	108,634	-	108,634
Operating transfers out	(6,249)	-	(6,249)
Total other financing sources	<u>102,385</u>	<u>42,171</u>	<u>144,556</u>
Net change in fund balances	283,482	37,516	320,998
Fund balance, beginning of year	<u>933,432</u>	<u>148,388</u>	<u>1,081,820</u>
Fund balance, end of year	<u>\$ 1,216,914</u>	<u>185,904</u>	<u>1,402,818</u>

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, 2009

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

Net changes in fund balances - governmental funds **\$ 320,998**

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	(280,722)	
Capital outlay	<u>599,882</u>	
Excess of capital outlay over depreciation expense		319,160

Deferred revenue is recorded as income under the accrual method, and not the modified accrual method		(203,482)
--	--	-----------

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.		(10,049)
--	--	----------

The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.		(42,171)
--	--	----------

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		<u>89,792</u>
--	--	---------------

Change in net assets - governmental activities **\$ 474,248**

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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 434,457	434,457	503,814	69,357
Licenses and permits and fees	4,750	4,750	49,643	44,893
Intergovernmental	129,000	129,000	309,029	180,029
Interest and investment income	2,100	2,100	9,977	7,877
Grants	1,080,136	1,081,486	487,307	(594,179)
Other	130,251	141,156	30,743	(110,413)
Total revenues	1,780,694	1,792,949	1,390,513	(402,436)
Expenditures				
General government	234,967	234,967	269,383	(34,416)
Public safety	298,622	298,622	335,155	(36,533)
Highways and streets	1,128,956	1,128,956	228,675	900,281
Debt service	-	-	14,123	(14,123)
Capital outlay	323,708	335,963	531,714	(195,751)
Total expenditures	1,986,253	1,998,508	1,379,050	619,458
(Deficiency) excess of revenues over expenditures	(205,559)	(205,559)	11,463	217,022
Other financing sources				
Operating transfers in	-	-	108,634	108,634
Operating transfers out	-	-	(6,249)	(6,249)
Total other financing sources	-	-	102,385	102,385
Net change in fund balance	(205,559)	(205,559)	113,848	319,407
Prior year cash appropriated	205,559	205,559		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ 113,848	
Change in:				
Accounts receivable			(41,268)	
Accrued compensation and benefits			7,420	
Accrued compensation and benefits			203,482	
GAAP change in fund balance			<u>\$ 283,482</u>	

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

VILLAGE OF CAPITAN, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2009

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
ASSETS				
Current Assets				
Cash and investments	\$ 598,836	16,079	45,727	660,642
Accounts receivable, net of allowance	46,656	14,656	-	61,312
Accrued investment income	-	-	-	-
Inventory	-	-	13,529	13,529
Note receivable, current portion	44,229	-	-	44,229
Total current assets	689,721	30,735	59,256	779,712
Capital Assets				
Land and water rights	4,025,632	-	-	4,025,632
Plant and equipment	6,235,343	-	1,691	6,237,034
Buildings and improvements	-	-	31,190	31,190
Accumulated depreciation	(3,024,866)	-	(32,157)	(3,057,023)
Total capital assets, net	7,236,109	-	724	7,236,833
Other Assets				
Note receivable, long-term portion	569,177	-	-	569,177
Total assets	\$ 8,495,007	30,735	59,980	8,585,722

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

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
LIABILITIES AND NET ASSETS				
Current Liabilities				
Royalties payable	\$ -	-	31	31
Sales tax payable	3,058	-	-	3,058
Fees payable	277	-	-	277
Accrued compensation and benefits	6,248	-	1,006	7,254
Interest payable	12,826	-	-	12,826
Deposits payable	34,595	-	-	34,595
Compensated absences, current portion	2,000	-	1,463	3,463
Bonds payable, current portion	8,200	-	-	8,200
Total current liabilities	67,204	-	2,500	69,704
Long-Term Liabilities				
Compensated absences	11,788	-	-	11,788
Bonds payable	634,386	-	-	634,386
Total long-term liabilities	646,174	-	-	646,174
Total liabilities	713,378	-	2,500	715,878
Net Assets:				
Invested in capital assets, net of related debt	6,593,523	-	724	6,594,247
Restricted for inventory	-	-	13,529	13,529
Unrestricted	1,188,107	30,735	43,226	1,262,068
Total net assets	7,781,630	30,735	57,479	7,869,844
Total liabilities and net assets	\$ 8,495,008	30,735	59,979	8,585,722

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, 2009

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating Revenues				
Sales and services	\$ 522,527	169,454	72,902	764,883
Operating Expenses				
Operating expenses	404,574	150,920	72,715	628,209
Depreciation	144,314	-	288	144,602
Total operating expenses	548,888	150,920	73,003	772,811
Operating (Loss) Income	(26,361)	18,534	(101)	(7,928)
Nonoperating Revenues (Expenses)				
Other	24,279	-	2	24,281
Lease of water rights	68,550	-	-	68,550
Interest income	72,637	168	528	73,333
Interest expense	(30,747)	-	-	(30,747)
Transfers in	6,249	-	-	6,249
Transfers out	(108,635)	-	-	(108,635)
Total nonoperating revenues (expenses)	32,333	168	530	33,031
Change in net assets	5,972	18,702	429	25,103
Net assets, beginning of year	7,775,658	12,033	57,050	7,844,741
Net assets, end of year	\$ 7,781,630	30,735	57,479	7,869,844

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, 2009

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Cash Flows From Operating Activities				
Cash received from customers	\$ 523,073	168,455	72,902	764,430
Cash payments to vendors and employees	(390,979)	(164,211)	(69,861)	(625,051)
Net cash provided (used) by operating activities	132,094	4,244	3,041	139,379
Cash Flows From Noncapital and Related Financing Activities				
Other income	24,279	-	2	24,281
Operating transfers, net	(102,386)	-	-	(102,386)
Net cash (used) provided by noncapital financing activities	(78,107)	-	2	(78,105)
Cash Flows From Capital and Related Financing Activities				
Principle payment on bonds	(11,300)	-	-	(11,300)
Interest payment on bonds	(30,747)	-	-	(30,747)
Net cash used by capital and related financing activities	(42,047)	-	-	(42,047)
Cash Flows From Investing Activities				
Interest received on investments	72,903	168	528	73,599
Sale of water rights	68,550	-	-	68,550
Principal received on notes	40,026	-	-	40,026
Net cash provided by investing activities	181,479	168	528	182,175
Net increase (decrease) in cash	193,419	4,412	3,571	201,402
Cash, beginning of year	405,417	11,667	42,156	459,240
Cash, end of year	\$ 598,836	16,079	45,727	660,642

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, 2009

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating (loss) income	\$ (26,361)	18,534	(101)	(7,928)
Adjustments to reconcile operating income to net cash flows				
Depreciation expense	144,314	-	288	144,602
Changes in assets and liabilities				
Accounts receivable	546	(999)	-	(453)
Inventory	-	-	2,504	2,504
Accounts payable	-	(13,291)	(29)	(13,320)
Accrued expenses	13,595	-	379	13,974
Net cash provided (used) by operating activities	\$ 132,094	4,244	3,041	139,379

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, 2009

ASSETS

Cash	\$	488
Total assets	\$	488

LIABILITIES

Due to Motor Vehicle Division	\$	488
Total liabilities	\$	488

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009.

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, 2009

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, 2009

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 10th and May 10th. 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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009

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, 2009

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, 2009

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 escrow, or the emergency watershed protection funds.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009, the Village adopted Government Accounting Standards Board Statement (GASB) No. 52, *Land and Other Real Estate Held as Investments by Endowments* (GASB 52). GASB 52 will not have a material impact on the Village's financial statements.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009, the Village's bank balance total of \$2,282,980 was exposed to credit risk in the amount of \$2,032,962 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 2,000,000</u>
Uninsured and uncollateralized	<u>\$ 32,962</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, 2009

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.

During the year ending June 30, 2009, the State Treasurers office placed \$15,553 of the Village's LGIP investment into a contingency account. The funds are not accessible by the Village. The funds may be used to cover losses from the failure of a money market in which the LGIP was invested. The Village does not know if the money will be returned.

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, 2009 was 43 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, 2009:

Accounts receivable	\$ 63,112
Allowance for uncollectible accounts	<u>(1,800)</u>
Accounts receivable, net	<u>\$ 61,312</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 87,675	-	-	87,675
Construction in process	13,840	-	(13,840)	-
Total, not depreciated	\$ 101,515	-	(13,840)	87,675
Capital assets, depreciated				
Buildings	\$ 732,529	-	-	732,529
Vehicles	1,356,788	275,662	-	1,632,450
Machinery and equipment	169,195	12,571	-	181,766
Infrastructure	2,204,027	325,489	-	2,529,516
Total, depreciated	4,462,539	613,722	-	5,076,261
Accumulated depreciation for:				
Buildings	239,249	23,753	-	263,002
Vehicles	898,541	146,469	-	1,045,010
Machinery and equipment	121,118	13,915	-	135,033
Infrastructure	194,247	96,585	-	290,832
Total accumulated depreciation	1,453,155	280,722	-	1,733,877
Total capital assets, depreciated, net	\$ 3,009,384	333,000	-	3,342,384
Business-type Activities				
Capital assets, not depreciated				
Land and water rights	\$ 4,025,632	-	-	4,025,632
Construction in process	25,249	-	(25,249)	-
Total, not depreciated	\$ 4,050,881	-	(25,249)	4,025,632
Capital assets, depreciated				
Buildings and improvements	\$ 4,478,848	-	-	4,478,848
Vehicles	170,897	-	-	170,897
Machinery and equipment	1,593,230	25,249	-	1,618,479
Total, depreciated	6,242,975	25,249	-	6,268,224
Total accumulated depreciation	2,912,421	144,602	-	3,057,023
Total capital assets, depreciated, net	\$ 3,330,554	(119,353)	-	3,211,201

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4. CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 51,176
Public Safety	109,595
Highway and Streets	<u>119,951</u>
Total depreciation expense	<u>\$ 280,722</u>

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, 2008	Payments	June 30, 2009
	\$ 653,432	(40,026)	<u>613,406</u>

Maturities of the note are as follows:

Year Ending			
June 30	Principal	Interest	Total
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
2014	65,941	42,694	108,635
Thereafter	340,683	93,857	434,540
	<u>\$ 613,406</u>	<u>364,309</u>	<u>977,715</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 6. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2009, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans payable	\$ 202,507	42,171	(89,792)	154,886	44,891
Compensated absences	<u>8,201</u>	<u>10,899</u>	<u>(850)</u>	<u>18,250</u>	<u>3,000</u>
Total	<u>\$ 210,708</u>	<u>53,070</u>	<u>(90,642)</u>	<u>173,136</u>	<u>47,891</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 three police cars. The assets under notes payable totaled \$621,025 at June 30, 2009.

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
2010	<u>\$ 14,158</u>	<u>-</u>	<u>14,158</u>

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
2010	<u>\$ 1,478</u>	<u>-</u>	<u>1,478</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

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
2010	\$ 15,664	5,152	20,816
2011	16,171	4,668	20,839
2012	16,697	4,166	20,863
2013	17,242	3,645	20,887
2014	17,813	3,100	20,913
2015	13,492	2,532	16,024
Total	\$ 97,079	23,263	120,342

During the year ended June 30, 2009, the Village borrowed \$21,911 from the New Mexico Finance Authority to purchase a police car. The loan is to be paid in three yearly principal and interest payments. Interest is at 3.00%.

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

Year Ending June 30:

	Principal	Interest	Total
2010	\$ 6,895	898	7,793
2011	7,397	451	7,848
2012	7,619	229	7,848
Total	\$ 21,911	1,578	23,489

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

During the year ended June 30, 2009, the Village borrowed \$20,260 from the New Mexico Finance Authority to purchase a police car. The loan is to be paid in three yearly principal and interest payments. Interest is at 1.205%.

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

Year Ending June 30:

	Principal	Interest	Total
2010	\$ 6,696	418	7,114
2011	6,742	181	6,923
2012	<u>6,822</u>	<u>101</u>	<u>6,923</u>
Total	\$ <u>20,260</u>	<u>700</u>	<u>20,960</u>

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, 2009, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Compensated absences	\$ 8,201	8,300	(1,250)	15,251	3,463
Bonds payable	<u>645,686</u>	<u>-</u>	<u>(3,100)</u>	<u>642,586</u>	<u>8,200</u>
Total	\$ <u>653,887</u>	<u>8,300</u>	<u>(4,350)</u>	<u>657,837</u>	<u>11,663</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

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

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%.

The future requirements are as follows:

1977 Sewer System Bonds

Year Ending June 30	Principal	Interest	Total
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	1,000	100	1,100
2015	1,000	50	1,050
	<u>\$ 6,000</u>	<u>1,025</u>	<u>7,025</u>

Water System Improvement Bond, Series - 2001

Year Ending June 30	Principal	Interest	Total
2010	\$ 5,000	20,416	25,416
2011	5,000	20,178	25,178
2012	5,000	19,941	24,941
2013	5,000	19,703	24,703
2014	5,000	19,466	24,466
2015 to 2019	35,000	93,529	128,529
2020 to 2024	50,000	83,080	133,080
2025 to 2029	60,000	70,967	130,967
2030 to 2034	75,000	54,579	129,579
2035 to 2039	100,000	34,390	134,390
2040 to 2042	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, 2009

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

Water System Improvement Bond, Series - 2002

Year Ending June 30	Principal	Interest	Total
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	3,300	9,271	12,571
2015 to 2019	18,700	43,877	62,577
2020 to 2024	23,700	38,989	62,689
2025 to 2029	29,800	32,805	62,605
2030 to 2034	37,600	25,015	62,615
2035 to 2039	47,500	15,187	62,687
2040 to 2042	34,586	3,352	37,938
	<u>\$ 206,786</u>	<u>206,992</u>	<u>413,778</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	6,249
Enterprise funds		
Utility Water and Sewer Fund	6,249	-
Solid Waste Fund	-	108,876
Total	<u>\$ 115,125</u>	<u>115,125</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, and a reimbursement to the Water Fund from the General Fund for tax revenue received in the wrong 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, 2009

NOTE 9. 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 10. 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, 2009, 2008, and 2007 was \$7,162, \$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, 2009

NOTE 11. 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 employee's 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 12. 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 13. 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, 2009

NOTE 14. 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 15. 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, 2009

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
NON-MAJOR FUNDS
June 30, 2009

CAPITAL PROJECTS FUND

Emergency Watershed Protection. To account for revenue and expenses related to a grant for emergency watershed protection.

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Cemetery	Court	Court Escrow
ASSETS			
Cash and investments	\$ 33,177	373	32
Receivables			
Gross receipts	-	-	-
Gas	-	-	-
Total assets	<u>\$ 33,177</u>	<u>373</u>	<u>32</u>
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Unreserved, undesignated, special revenues	33,177	373	32
Unreserved, undesignated, capital projects	-	-	-
Total fund balances	<u>33,177</u>	<u>373</u>	<u>32</u>
Total fund balances	<u>\$ 33,177</u>	<u>373</u>	<u>32</u>

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Corrections	Fire Equipment	Fire Protection
ASSETS			
Cash and investments	\$ 39,402	22,151	2,669
Receivables			
Gross receipts	-	-	-
Gas	-	-	-
Total assets	\$ 39,402	22,151	2,669
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
FUND BALANCES			
Unreserved, undesignated, special revenues	39,402	22,151	2,669
Unreserved, undesignated, capital projects	-	-	-
Total fund balances	39,402	22,151	2,669
Total fund balances	\$ 39,402	22,151	2,669

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Infrastructure	Lodgers Tax	Juvenile Recreation
ASSETS			
Cash and investments	\$ 41,134	3,790	3,171
Receivables			
Gross receipts	3,652	-	
Gas	2,360	-	
Total assets	\$ 47,146	3,790	3,171
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
FUND BALANCES			
Unreserved, undesignated, special revenues	47,146	3,790	3,171
Unreserved, undesignated, capital projects	-	-	-
Total fund balances	47,146	3,790	3,171
Total fund balances	\$ 47,146	3,790	3,171

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
ASSETS			
Cash and investments	\$ 28,770	5,189	195
Receivables			
Gross receipts	-	-	1,826
Gas	-	-	-
Total assets	<u>\$ 28,770</u>	<u>5,189</u>	<u>2,021</u>
LIABILITIES			
Accounts payable	\$ 2,004	-	-
Total liabilities	<u>2,004</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Unreserved, undesignated, special revenues	26,766	5,189	2,021
Unreserved, undesignated, capital projects	-	-	-
Total fund balances	<u>26,766</u>	<u>5,189</u>	<u>2,021</u>
Total fund balances	<u>\$ 28,770</u>	<u>5,189</u>	<u>2,021</u>

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Emergency Watershed Protection	Total Non-major
ASSETS		
Cash and investments	\$ 17	180,070
Receivables		
Gross receipts	-	5,478
Gas	-	2,360
Total assets	<u>\$ 17</u>	<u>187,908</u>
LIABILITIES		
Accounts payable	\$ -	2,004
Total liabilities	<u>-</u>	<u>2,004</u>
FUND BALANCES		
Unreserved, undesignated, special revenues	-	185,887
Unreserved, undesignated, capital projects	17	17
Total fund balances	<u>17</u>	<u>185,904</u>
Total fund balances	<u>\$ 17</u>	<u>187,908</u>

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2009**

	Cemetery	Court	Court Escrow
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, fines	-	44,515	-
Intergovernmental	-	-	-
Interest and investment income	144	20	-
Sales	6,600	-	-
Other	-	28	-
Total revenues	6,744	44,563	-
Expenditures			
Current			
General government	949	-	-
Public safety	-	47,127	-
Highways and streets	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
Total expenditures	949	47,127	-
Excess (deficiency) of revenues over expenditures before other financing sources	5,795	(2,564)	-
Other Financing Sources			
Proceeds from the issuance of debt	-	-	-
Net change in fund balances	5,795	(2,564)	-
Fund balance, beginning of year	27,382	2,937	32
Fund balance, end of year	\$ 33,177	373	32

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2009**

	Corrections	Fire Equipment	Fire Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, fines	16,973	-	-
Intergovernmental	-	9,256	127,890
Interest and investment income	138	95	809
Sales	-	-	-
Other	-	-	-
Total revenues	17,111	9,351	128,699
Expenditures			
Current			
General government	-	-	-
Public safety	1,152	7,490	59,546
Highways and streets	-	-	-
Debt service	-	-	75,669
Capital outlay	-	-	-
Total expenditures	1,152	7,490	135,215
Excess (deficiency) of revenues over expenditures before other financing sources	15,959	1,861	(6,516)
Other Financing Sources			
Proceeds from the issuance of debt	-	-	-
Net change in fund balances	15,959	1,861	(6,516)
Fund balance, beginning of year	23,443	20,290	9,185
Fund balance, end of year	\$ 39,402	22,151	2,669

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2009**

	Infrastructure	Lodgers Tax	Juvenile Recreation
Revenues			
Taxes	\$ 47,298	5,321	-
Licenses, permits, fees, fines	-	-	-
Intergovernmental	-	-	894
Interest and investment income	183	27	12
Sales	-	-	-
Other	-	-	-
	<hr/>		
Total revenues	47,481	5,348	906
	<hr/>		
Expenditures			
Current			
General government	-	8,575	-
Public safety	-	-	-
Highways and streets	23,569	-	-
Debt service	-	-	-
Capital outlay	24,510	-	-
	<hr/>		
Total expenditures	48,079	8,575	-
	<hr/>		
Excess (deficiency) of revenues over expenditures before other financing sources	(598)	(3,227)	906
	<hr/>		
Other Financing Sources			
Proceeds from the issuance of debt	-	-	-
	<hr/>		
Net change in fund balances	(598)	(3,227)	906
	<hr/>		
Fund balance, beginning of year	47,744	7,017	2,265
	<hr/>		
Fund balance, end of year	\$ 47,146	3,790	3,171
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2009**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
Revenues			
Taxes	\$ -	-	8,430
Licenses, permits, fees, fines	-	-	-
Intergovernmental	21,800	-	-
Interest and investment income	385	10	3
Sales	-	-	-
Other	294	330	-
	<hr/>	<hr/>	<hr/>
Total revenues	22,479	340	8,433
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	-	-	8,598
Public safety	6,890	-	-
Highways and streets	-	-	-
Debt service	-	-	-
Capital outlay	32,052	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	38,942	-	8,598
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	(16,463)	340	(165)
	<hr/>	<hr/>	<hr/>
Other Financing Sources			
Proceeds from the issuance of debt	42,171	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	25,708	340	(165)
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	1,058	4,849	2,186
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 26,766	5,189	2,021
	<hr/>	<hr/>	<hr/>

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2009**

	Emergency Watershed Protection	Total Non-major
Revenues		
Taxes	\$ -	61,049
Licenses, permits, fees, fines	-	61,488
Intergovernmental	166,084	325,924
Interest and investment income	17	1,843
Sales	-	6,600
Other	-	652
	<hr/>	<hr/>
Total revenues	166,101	457,556
	<hr/>	<hr/>
Expenditures		
Current		
General government	-	18,122
Public safety	-	122,205
Highways and streets	-	23,569
Debt service	-	75,669
Capital outlay	166,084	222,646
	<hr/>	<hr/>
Total expenditures	166,084	462,211
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	17	(4,655)
	<hr/>	<hr/>
Other Financing Sources		
Proceeds from the issuance of debt	-	42,171
	<hr/>	<hr/>
Net change in fund balances	17	37,516
	<hr/>	<hr/>
Fund balance, beginning of year	-	148,388
	<hr/>	<hr/>
Fund balance, end of year	\$ 17	185,904
	<hr/> <hr/>	<hr/> <hr/>

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CEMETERY
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Plot sales	\$ 6,250	6,250	6,600	350
Interest and investment income	72	72	144	72
Total revenues	6,322	6,322	6,744	422
Expenditures				
General government	4,900	4,900	949	3,951
Total expenditures	4,900	4,900	949	3,951
Net change in fund balance	\$ 1,422	1,422	5,795	4,373

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
COURT
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits and fees	\$ 8,300	58,300	44,515	(13,785)
Interest and investment income	-	-	20	20
Other	-	-	28	28
Total revenues	8,300	58,300	44,563	(13,737)
Expenditures				
Public safety	8,300	58,300	47,127	11,173
Total expenditures	8,300	58,300	47,127	11,173
Net change in fund balance	\$ -	-	(2,564)	(2,564)
			<u>2,564</u>	
			<u>-</u>	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits and fees	\$ 3,261	16,261	16,973	712
Interest and investment income	-	-	138	138
Total revenues	3,261	16,261	17,111	850
Expenditures				
Public safety	3,800	18,000	1,152	16,848
Total expenditures	3,800	18,000	1,152	16,848
Net change in fund balance	(539)	(1,739)	15,959	17,698
Prior year cash appropriated	539	1,739		
	<u>\$ -</u>	<u>-</u>		

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE EQUIPMENT
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,045	8,045	9,256	1,211
Interest and investment income	-	-	95	95
Total revenues	<u>3,045</u>	<u>8,045</u>	<u>9,351</u>	<u>1,306</u>
Expenditures				
Public safety	2,000	9,000	7,490	1,510
Total expenditures	<u>2,000</u>	<u>9,000</u>	<u>7,490</u>	<u>1,510</u>
Net change in fund balance	<u>\$ 1,045</u>	(955)	<u>1,861</u>	<u>2,816</u>
Prior year cash appropriated		<u>955</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 117,668	129,668	127,890	(1,778)
Interest and investment income	575	575	809	234
Total revenues	118,243	130,243	128,699	(1,544)
Expenditures				
Public safety	82,647	98,647	59,546	39,101
Capital outlay	-	-	75,669	(75,669)
Debt service	40,496	40,496	-	40,496
Total expenditures	123,143	139,143	135,215	3,928
Net change in fund balance	(4,900)	(8,900)	(6,516)	<u>2,384</u>
Prior year fund balance	4,900	8,900	6,516	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
INFRASTRUCTURE
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 45,200	45,200	47,036	1,836
Interest and investment income	112	112	183	71
Total revenues	45,312	45,312	47,219	1,907
Expenditures				
Highways and streets	28,692	28,692	23,569	5,123
Capital outlay	16,308	26,308	24,510	1,798
Total expenditures	45,000	55,000	48,079	6,921
Net change in fund balance	<u>\$ 312</u>	<u>(9,688)</u>	<u>(860)</u>	<u>8,828</u>
Prior year cash appropriated		<u>9,688</u>		
		<u>-</u>		
Non-GAAP change in fund balance			\$ (860)	
Change in:				
Accounts receivable			<u>262</u>	
GAAP change in fund balance			<u>\$ (598)</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,025	5,025	5,321	296
Interest and investment income	6	6	27	21
Total revenues	<u>5,031</u>	<u>5,031</u>	<u>5,348</u>	<u>317</u>
Expenditures				
General government	7,000	11,000	8,575	2,425
Total expenditures	<u>7,000</u>	<u>11,000</u>	<u>8,575</u>	<u>2,425</u>
Net change in fund balance	(1,969)	(5,969)	(3,227)	<u>2,742</u>
Prior year cash appropriated	1,969	5,969	3,227	
	<u>\$ -</u>	<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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 475	475	894	419
Interest and investment income	5	5	12	7
Total revenues	480	480	906	426
Expenditures				
General government	1,200	1,200	-	1,200
Total expenditures	1,200	1,200	-	1,200
Net change in fund balance	(720)	(720)	906	1,626
Prior year fund balance	720	720		
	\$ -	-		

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 21,800	21,800	21,800	-
Interest and investment income	5	5	385	380
Other	-	-	294	294
Total revenues	21,805	21,805	22,479	674
Expenditures				
Public safety	6,000	6,000	4,886	1,114
Debt service	-	-	-	-
Capital outlay	15,800	65,800	32,052	33,748
Total expenditures	21,800	71,800	36,938	34,862
Deficiency of revenues over expenditures before other financing sources	5	(49,995)	(14,459)	35,536
Other Financing Sources				
Proceeds from the issuance of debt	-	50,000	42,171	7,829
Net change in fund balance	\$ 5	5	27,712	35,536
Non-GAAP change in fund balance			\$ 27,712	
Change in:				
Accounts payable			(2,004)	
GAAP change in fund balance			\$ 25,708	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SMOKEY BEAR DONATION
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ 350	-	10	10
Other	-	-	330	330
Total revenues	350	-	340	340
Expenditures				
General government	4,200	4,200	-	4,200
Total expenditures	4,200	4,200	-	4,200
Net change in fund balance	(3,850)	(4,200)	340	4,540
Prior year cash appropriated	3,850	4,200		
	<u>\$ -</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, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,000	12,000	8,074	(3,926)
Interest and investment income	-	-	3	3
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>8,077</u>	<u>(3,923)</u>
Expenditures				
General government	12,000	12,000	8,598	3,402
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>8,598</u>	<u>3,402</u>
Net change in fund balance	\$ -	-	(521)	(521)
Prior year cash appropriated			<u>521</u>	
			<u>-</u>	
Non-GAAP change in fund balance			\$ (521)	
Change in:				
Accounts receivable			<u>356</u>	
GAAP change in fund balance			<u>\$ (165)</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales and services	\$ 409,155	409,155	481,688	72,533
Intergovernmental	276,000	276,000	-	(276,000)
Lease of water rights	68,000	68,000	68,550	550
Interest and investment income	1,050	1,050	72,637	71,587
Other	-	-	24,279	24,279
Total revenues	754,205	754,205	647,154	(107,051)
Expenses				
Operating expense	506,984	506,984	410,069	96,915
Grant expenses	278,000	278,000	-	278,000
Debt payments	41,285	41,285	33,847	7,438
Total expenses	826,269	826,269	443,916	382,353
Excess of revenues over expenses	(72,064)	(72,064)	203,238	275,302
Other financing uses				
Transfers in	-	-	6,249	6,249
Transfers out	-	-	(108,635)	(108,635)
	-	-	(102,386)	(102,386)
Net change in net assets	(72,064)	(72,064)	100,852	166,667
Prior year cash appropriated	72,064	72,064		
	\$ -	-		
Non-GAAP change in fund balance			100,852	
Change in:				
Receivables			40,839	
Accrued expenses			5,495	
Non-budgeted items:				
Depreciation			(144,314)	
Principal on debt payments			3,100	
GAAP change in net assets			\$ 5,972	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SOLID WASTE FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales and services	\$ 212,000	212,000	170,453	(41,547)
Interest and investment income	65	65	168	103
Other	1,800	1,800	-	(1,800)
Total revenues	213,865	213,865	170,621	(43,244)
Expenses				
Operating expense	212,000	212,000	137,629	74,371
Net change in net assets	\$ 1,865	1,865	32,992	31,127
Non-GAAP change in fund balance			32,992	
Change in:				
Accounts receivable			(999)	
Accounts payable			(13,291)	
GAAP change in net assets			\$ 18,702	

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales	\$ 89,100	89,100	72,902	(16,198)
Interest	125	125	528	403
Other	200	200	2	(198)
Total revenues	89,425	89,425	73,432	(15,993)
Expenses				
Operating expense	78,298	78,298	70,530	7,768
Net change in net assets	\$ 11,127	11,127	2,902	(8,225)
Non-GAAP change in fund balance			2,902	
Change in:				
Inventory			(2,504)	
Accounts payable			(29)	
Accrued expenses			348	
Non-budgeted items:				
Depreciation			(288)	
GAAP change in net assets			\$ 429	

VILLAGE OF CAPITAN, NEW MEXICO
AGENCY FUNDS
June 30, 2009

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, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash	\$ 346	110,047	109,905	488
Total assets	<u>\$ 346</u>	<u>110,047</u>	<u>109,905</u>	<u>488</u>
LIABILITIES				
Due to Motor Vehicles Division	\$ 346	110,047	109,905	488
Total liabilities	<u>\$ 346</u>	<u>110,047</u>	<u>109,905</u>	<u>488</u>

VILLAGE OF CAPITAN
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2009

Depository	Account Name	Type	Depository Balance	Reconciled Balance
City Bank	General Fund	Checking	\$ 1,194,103	1,134,072
City Bank	Smokey Bear Donation	Checking	5,189	5,189
City Bank	Smokey Bear Enterprise	Checking	52,490	45,727
City Bank	Water	Checking	568,653	560,549
City Bank	Payroll	Checking	26,557	13,688
City Bank	Cemetery	Checking	33,177	33,177
City Bank	Court Escrow	Checking	32	32
City Bank	Court	Checking	2,286	369
City Bank	Correction	Checking	39,402	39,402
City Bank	Fire Equipment	Checking	22,151	22,151
City Bank	Fire Department	Checking	51,355	750
City Bank	Infrastructure	Checking	41,279	41,134
City Bank	Lodger's tax	Checking	3,790	3,790
City Bank	Juvenile recreation	Checking	3,171	3,171
City Bank	Law enforcement protection	Checking	15,897	7,567
City Bank	Solid Waste	Checking	41,150	16,079
City Bank	Environmental gross receipts tax	Checking	1,448	195
City Bank	Water security	Checking	35,075	34,759
City Bank	Emergency Watershed Protection Project	Checking	145,757	17
First Federal Bank	Court	Checking	18	4
Total cash and cash equivalents - non-agency funds			2,282,980	1,961,822
Petty Cash	Water		-	300
Total cash and cash equivalents - non-agency funds			2,282,980	1,962,122
NM State Treasurer	Reserve Contingency - General Fund	Investment	12,324	12,324
NM State Treasurer	Reserve Contingency - Water Fund	Investment	3,229	3,229
Bank of Albuquerque	NMFA Debt Svc - Building	Investment	3,876	3,876
Bank of Albuquerque	NMFA Debt Svc - Fire Pumper Truck	Investment	1,739	1,739
Bank of Albuquerque	NMFA Debt Svc - Fire Pumper	Investment	219	219
Bank of Albuquerque	NMFA Debt Svc - Police Vehicle	Investment	1,242	1,242
Bank of Albuquerque	NMFA Debt Svc - Police Vehicle	Investment	19,961	19,961
			42,590	42,590
Total deposit and investment accounts - non-agency			\$ 2,325,570	2,004,712
Agency funds cash accounts				
City Bank	MVD	Checking	\$ 3,530	288
Total cash and cash equivalents - agency funds				
Petty Cash	MVD Clerk		-	200
Total cash - agency funds			\$ 3,530	488

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2009

	City Bank	First Federal	Total
Deposits at June 30, 2009	\$ 2,282,962	18	2,282,980
Less: FDIC coverage	250,000	18	250,018
Uninsured public funds	2,032,962	-	2,032,962
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	2,000,000	-	2,000,000
Uninsured and uncollateralized	\$ 32,962	-	32,962
50% pledged collateral requirement per statute	\$ 1,016,481	-	1,016,481
Total pledged collateral	2,000,000	-	2,000,000
Pledged collateral over the requirement	\$ (983,519)	-	(983,519)

Pledged collateral at June 30, 2009 consists of the following:

Security	CUSIP	Maturity	Market Value	Market Value	Market Value
FHLB Letter of Credit	NA	NA	\$ 2,000,000	-	2,000,000
			\$ 2,000,000	-	2,000,000

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, of the Village of Capitan (Village), as of and for the year ended June 30, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 20, 2009. 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, 2009, 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: 09-1.

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

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.

Perch & Associates LLC

Albuquerque, New Mexico
September 20, 2009

VILLAGE OF CAPITAN, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

07-2	Preparation of financial statements	Resolved
08-1	Travel and per diem disbursements	Resolved
08-2	Internal control over cash receipts	Resolved

**VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT

09-1 Preparation of Financial Statements (Significant Deficiency)

CONDITION

The Village changed utility billing systems during the current year. We found that the Village did not print the accounts receivable by revenue code reports at year-end. The accounts receivable system cannot calculate this report after the fact. Therefore, it is necessary to print these reports at the end of each month and after each billing. The detail allows the Village to split the accounts receivable between the water/sewer fund, and the solid waste fund. It was necessary to determine the receivable balances using the billing reports.

CRITERIA

The Village should keep sufficient detail to prepare year-end financial statements. If the detail is not available on a historical basis, then reports should be printed at the end of each month and after each billing.

EFFECT

The Village did not have sufficient detail to prepare their financial statements at year-end.

CAUSE

The Village converted to new accounts receivable and billing software in the current year and did not print and retain the reports necessary to prepare the financial statements at year-end.

RECOMMENDATION

The Village should review the accounts receivable reports monthly to ensure they are internally consistent. The Village should also print and retain the month-end reports and billing reports by revenue code in order to facilitate financial statement preparation.

MANAGEMENT RESPONSE

The new utility billing system purchased by the Village of Capitan has taken the Billing Clerk some time to get familiar with all the needed reports. She is still learning the various reports that are available. The Village Clerk will review the accounts receivable reports weekly to ensure they are internally consistent. The Billing Clerk will also print and retain the month-end reports.

**VILLAGE OF CAPITAN, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

An exit conference was held on September 1, 2009, and attended by the following:

Village of Capitan, New Mexico

Sammy L. Hammons, Mayor
Kay Strickland, Village Clerk
Shirley Pavlovic, Deputy Clerk/Finance Officer
Diane Riska, Mayor Pro-Tem

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.