

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF CAPITAN, NEW MEXICO

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

June 30, 2010

VILLAGE OF CAPITAN, NEW MEXICO

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VILLAGE OF CAPITAN, NEW MEXICO

**List of Principal Officials
June 30, 2010**

Village Trustees

Sammy L. Hammons	Mayor
Diane Riska	Mayor Pro-Tem
Ricky LaMay	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, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds 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, 2010, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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, 2010, 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 November 10, 2010 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, 2010, 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. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, and is 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.

Perch & Associates LLC

Albuquerque, New Mexico
November 10, 2010

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 1,282,743	767,447	2,050,190
Cash - restricted	12,705	-	12,705
Receivables			
Accounts receivable, net of allowance	-	67,585	67,585
Taxes	87,122	-	87,122
Grants	43,638	-	43,638
Interest	8,787	5,273	14,060
Inventory	-	12,972	12,972
Note receivable, due in one year	-	48,873	48,873
Note receivable, due in more than one year	-	520,304	520,304
Capital assets, not depreciated	87,675	4,025,632	4,113,307
Capital assets, net of accumulated depreciation	4,926,755	3,075,153	8,001,908
	<hr/>		
Total assets	6,449,425	8,523,239	14,972,664
<hr/>			
LIABILITIES			
Accounts payable	-	31	31
Sales tax payable	-	8,127	8,127
Fees payable	-	277	277
Accrued compensation and benefits	18,079	5,487	23,566
Interest payable	-	12,789	12,789
Deposits payable	-	34,936	34,936
Compensated absences, due in one year	3,000	6,155	9,155
Compensated absences, due in more than one year	10,492	9,034	19,526
Long-term liabilities, due in one year	26,669	8,800	35,469
Long-term liabilities, due in more than one year	21,183	630,586	651,769
	<hr/>		
Total liabilities	79,423	716,222	795,645
<hr/>			
NET ASSETS			
Invested in capital assets, net of related debt	4,966,578	6,461,399	11,427,977
Restricted for:			
Inventory	-	12,972	12,972
Unrestricted	1,403,424	1,332,646	2,736,070
	<hr/>		
Total net assets	\$ 6,370,002	7,807,017	14,177,019
	<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, 2010

<u>Functions/Programs</u>	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	\$ 338,919	15,393	152,242	1,363,362	1,192,078	-	1,192,078
Public safety	566,970	62,825	231,622	-	(272,523)	-	(272,523)
Highways and streets	299,006	-	-	262,006	(37,000)	-	(37,000)
Interest on long-term debt	4,254	-	-	-	(4,254)	-	(4,254)
Total governmental activities	<u>1,209,149</u>	<u>78,218</u>	<u>383,864</u>	<u>1,625,368</u>	<u>878,301</u>	<u>-</u>	<u>878,301</u>
Business-type activities							
Utility Water and Sewer	657,236	529,521	-	-	-	(127,715)	(127,715)
Solid Waste	150,749	159,964	-	-	-	9,215	9,215
Smokey Bear Enterprise	68,618	67,284	-	-	-	(1,334)	(1,334)
Total business-type activities	<u>876,603</u>	<u>756,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,834)</u>	<u>(119,834)</u>
Total primary government	<u>\$ 2,085,752</u>	<u>834,987</u>	<u>383,864</u>	<u>1,625,368</u>	<u>878,301</u>	<u>(119,834)</u>	<u>758,467</u>
General Revenues							
Franchise taxes					35,222	-	35,222
Gasoline taxes					31,940	-	31,940
Gross receipts taxes					472,374	-	472,374
Property taxes					24,837	-	24,837
Cigarette taxes					1,177	-	1,177
Lodgers taxes					3,504	-	3,504
Interest and investment earnings					18,353	75,641	93,994
Lease of water rights					-	90,000	90,000
Transfers in: Severance tax appropriation					50,000	-	50,000
Other					27,504	-	27,504
Operating transfers					108,634	(108,634)	-
Total general revenues					<u>773,545</u>	<u>57,007</u>	<u>830,552</u>
Change in net assets					<u>1,651,846</u>	<u>(62,827)</u>	<u>1,589,019</u>
Net assets, beginning					4,718,156	7,869,844	12,588,000
Net assets, ending					<u>\$ 6,370,002</u>	<u>7,807,017</u>	<u>14,177,019</u>

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

VILLAGE OF CAPITAN, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Emergency Watershed Protection	Nonmajor Governmental Funds	Total
ASSETS				
Cash and investments	\$ 1,060,344	273	222,126	1,282,743
Cash - restricted	12,705	-	-	12,705
Receivables				
Taxes				
Property	461	-	-	461
Gross receipts	67,825	-	5,266	73,091
Gas	961	-	5,277	6,238
Franchise	7,332	-	-	7,332
Interest	8,787	-	-	8,787
Grants	43,638	-	-	43,638
	<hr/>			
Total assets	\$ 1,202,053	273	232,669	1,434,995
	<hr/> <hr/>			
LIABILITIES				
Accrued compensation and benefits	\$ 18,079	-	-	18,079
Deferred revenue	58,415	-	-	58,415
	<hr/>			
Total liabilities	76,494	-	-	76,494
	<hr/>			
FUND BALANCES				
Unreserved, undesignated reported in:				
General fund	1,125,559	-	-	1,125,559
Special revenue funds	-	-	232,669	232,669
Capital projects funds	-	273	-	273
	<hr/>			
Total fund balances	1,125,559	273	232,669	1,358,501
	<hr/>			
Total liabilities and fund balances	\$ 1,202,053	273	232,669	1,434,995
	<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, 2010**

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

Total fund balance - governmental funds	\$ 1,358,501
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	(13,492)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	5,014,430
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>(47,852)</u>
Net assets - governmental activities	<u><u>\$ 6,370,002</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, 2010

	General	Emergency Watershed Protection	Nonmajor Governmental Funds	Total
Revenues				
Taxes	\$ 504,627	-	64,427	569,054
Licenses, permits, fees, fines	35,324	-	37,539	72,863
Federal sources				
Grant	-	1,363,362	-	1,363,362
Non-federal sources				
Intergovernmental	151,651	-	232,213	383,864
Grant	262,006	-	-	262,006
Interest and investment income	14,290	255	3,808	18,353
Sales	-	-	5,355	5,355
Other	24,558	1	2,945	27,504
Total revenues	992,456	1,363,618	346,287	2,702,361
Expenditures				
Current				
General government	273,307	-	13,716	287,023
Public safety	300,529	-	145,114	445,643
Highways and streets	246,372	-	4,371	250,743
Debt service	14,176	-	97,112	111,288
Capital outlay	408,061	1,363,362	39,192	1,810,615
Total expenditures	1,242,445	1,363,362	299,505	2,905,312
(Deficiency) excess of revenues over expenditures before other financings sources	(249,989)	256	46,782	(202,951)
Other Financing Sources				
Transfer in: Severance tax appropriation	50,000	-	-	50,000
Operating transfers in	108,634	-	-	108,634
Operating transfers out	-	-	-	-
Total other financing sources	158,634	-	-	158,634
Net change in fund balances	(91,355)	256	46,782	(44,317)
Fund balance, beginning of year	1,216,914	17	185,887	1,402,818
Fund balance, end of year	\$ 1,125,559	273	232,669	1,358,501

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, 2010**

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

Net changes in fund balances - governmental funds **\$ (44,317)**

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	(310,772)	
Capital outlay	1,895,143	
	<u>1,895,143</u>	
Excess of capital outlay over depreciation expense		1,584,371

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. 4,758

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 107,034

Change in net assets - governmental activities **\$ 1,651,846**

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 437,952	519,952	509,000	(10,952)
Licenses and permits and fees	15,850	15,850	35,324	19,474
Intergovernmental	227,000	227,000	151,651	(75,349)
Interest and investment income	1,700	1,700	14,290	12,590
Grants	528,412	534,412	262,006	(272,406)
Other	119,451	119,451	24,558	(94,893)
Total revenues	1,330,365	1,418,365	996,829	(421,536)
Expenditures				
General government	290,911	331,911	277,236	54,675
Public safety	341,900	349,900	300,529	49,371
Highways and streets	437,518	445,518	246,372	199,146
Debt service	-	-	14,176	(14,176)
Capital outlay	418,692	418,692	408,061	10,631
Total expenditures	1,489,021	1,546,021	1,246,374	299,647
(Deficiency) excess of revenues over expenditures	(158,656)	(127,656)	(249,545)	(121,889)
Other financing sources				
Transfer in: Severance tax appropri	83,642	83,642	50,000	(33,642)
Operating transfers in	-	-	108,634	108,634
Total other financing sources	83,642	83,642	158,634	108,634
Net change in fund balance	(75,014)	(44,014)	(90,911)	(13,255)
Prior year cash appropriated	75,014	44,014	90,911	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Non-GAAP change in fund balance			\$ (90,911)	
Change in:				
Accounts receivable			(4,373)	
Accrued compensation and benefits			3,929	
GAAP change in fund balance			<u>\$ (91,355)</u>	

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

VILLAGE OF CAPITAN, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2010

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
ASSETS				
Current Assets				
Cash and investments	\$ 693,152	23,121	51,174	767,447
Accounts receivable, net of allowance	50,236	17,349	-	67,585
Accrued investment income	5,273	-	-	5,273
Inventory	-	-	12,972	12,972
Note receivable, current portion	48,873	-	-	48,873
Total current assets	797,534	40,470	64,146	902,150
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	(3,160,666)	-	(32,405)	(3,193,071)
Total capital assets, net	7,100,309	-	476	7,100,785
Other Assets				
Note receivable, long-term portion	520,304	-	-	520,304
Total assets	\$ 8,418,147	40,470	64,622	8,523,239

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	3,684	-	4,443	8,127
Fees payable	277	-	-	277
Accrued compensation and benefits	4,750	-	737	5,487
Interest payable	12,789	-	-	12,789
Deposits payable	34,936	-	-	34,936
Compensated absences, current portion	3,500	-	2,655	6,155
Bonds payable, current portion	8,800	-	-	8,800
Total current liabilities	68,736	-	7,866	76,602
Long-Term Liabilities				
Compensated absences	9,034	-	-	9,034
Bonds payable	630,586	-	-	630,586
Total long-term liabilities	639,620	-	-	639,620
Total liabilities	708,356	-	7,866	716,222
Net Assets:				
Invested in capital assets, net of related debt	6,460,923	-	476	6,461,399
Restricted for inventory	-	-	12,972	12,972
Unrestricted	1,248,868	40,470	43,308	1,332,646
Total net assets	7,709,791	40,470	56,756	7,807,017
Total liabilities and net assets	\$ 8,418,147	40,470	64,622	8,523,239

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, 2010

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating Revenues				
Sales and services	\$ 527,677	159,964	67,276	754,917
Operating Expenses				
Operating expenses	492,173	150,749	68,370	711,292
Depreciation	135,800	-	248	136,048
Total operating expenses	627,973	150,749	68,618	847,340
Operating (Loss) Income	(100,296)	9,215	(1,342)	(92,423)
Nonoperating Revenues (Expenses)				
Other	1,844	-	8	1,852
Lease of water rights	90,000	-	-	90,000
Interest income	74,510	520	611	75,641
Interest expense	(29,263)	-	-	(29,263)
Transfers in	-	-	-	-
Transfers out	(108,634)	-	-	(108,634)
Total nonoperating revenues (expenses)	28,457	520	619	29,596
Change in net assets	(71,839)	9,735	(723)	(62,827)
Net assets, beginning of year	7,781,630	30,735	57,479	7,869,844
Net assets, end of year	\$ 7,709,791	40,470	56,756	7,807,017

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, 2010

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Cash Flows From Operating Activities				
Cash received from customers	\$ 524,098	157,271	67,276	748,645
Cash payments to vendors and employees	(493,995)	(150,749)	(62,448)	(707,192)
Net cash provided by operating activities	30,103	6,522	4,828	41,453
Cash Flows From Noncapital and Related Financing Activities				
Other income	1,844	-	8	1,852
Operating transfers, net	(108,634)	-	-	(108,634)
Net cash (used) by noncapital financing activities	(106,790)	-	8	(106,782)
Cash Flows From Capital and Related Financing Activities				
Principle payment on bonds	(3,200)	-	-	(3,200)
Interest payment on bonds	(29,263)	-	-	(29,263)
Net cash used by capital and related financing activities	(32,463)	-	-	(32,463)
Cash Flows From Investing Activities				
Interest received on investments	69,237	520	611	70,368
Sale of water rights	90,000	-	-	90,000
Principal received on notes	44,229	-	-	44,229
Net cash provided by investing activities	203,466	520	611	204,597
Net increase in cash	94,316	7,042	5,447	106,805
Cash, beginning of year	598,836	16,079	45,727	660,642
Cash, end of year	\$ 693,152	23,121	51,174	767,447

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, 2010

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating (loss) income	\$ (100,296)	9,215	(1,342)	(92,423)
Adjustments to reconcile operating income to net cash flows				
Depreciation expense	135,800	-	248	136,048
Changes in assets and liabilities				
Accounts receivable	(3,579)	(2,693)	-	(6,272)
Inventory	-	-	556	556
Accounts payable	-	-	-	-
Accrued expenses	(1,822)	-	5,366	3,544
Net cash provided by operating activities	\$ 30,103	6,522	4,828	41,453

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, 2010

ASSETS

Cash	\$ 741
Total assets	<u><u>\$ 741</u></u>

LIABILITIES

Due to Motor Vehicle Division	\$ 741
Total liabilities	<u><u>\$ 741</u></u>

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Village of Capitan (Village) was incorporated in 1937 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, 2010.

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, 2010

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, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Imposed nonexchange revenues – property taxes are levied and collected by the Lincoln 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.

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Cash and Investments (Continued)

The Village does not have an investment policy. Village funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Property and Equipment (Continued)

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

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 ASC 350, *Intangibles - Goodwill and Other*, 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. 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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. 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.

I. 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.

J. 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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

K. 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.

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.

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

1. Prior to June 1, the Village Finance Officer 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 Finance Officer 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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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, 2010, the Village adopted Government Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), and GASB 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51). GASB 53 and GASB 51 will not have a material impact on the Village's financial statements.

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, 2010, the Village's bank balance total of \$2,161,498 was exposed to credit risk in the amount of \$1,661,480 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 1,661,480</u>
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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 FDIC insurance at each financial institution.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The total balance in any single financial institution may at times exceed the \$250,000 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 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. As of June 30, 2010, \$2,511 remained in the contingency account.

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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, 2010 was 50 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, 2010:

Accounts receivable	\$ 99,385
Allowance for uncollectible accounts	<u>(31,800)</u>
Accounts receivable, net	<u>\$ 67,585</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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
Total, not depreciated	\$ 87,675	-	-	87,675
Capital assets, depreciated				
Buildings	\$ 732,529	-	-	732,529
Vehicles	1,632,450	131,015	-	1,763,465
Machinery and equipment	181,766	-	-	181,766
Infrastructure	2,529,516	1,764,128	-	4,293,644
Total, depreciated	5,076,261	1,895,143	-	6,971,404
Accumulated depreciation for:				
Buildings	263,002	23,753	-	286,755
Vehicles	1,045,010	165,434	-	1,210,444
Machinery and equipment	135,033	11,560	-	146,593
Infrastructure	290,832	110,025	-	400,857
Total accumulated depreciation	1,733,877	310,772	-	2,044,649
Total capital assets, depreciated, net	\$ 3,342,384	1,584,371	-	4,926,755
Business-type Activities				
Capital assets, not depreciated				
Land and water rights	\$ 4,025,632	-	-	4,025,632
Total, not depreciated	\$ 4,025,632	-	-	4,025,632
Capital assets, depreciated				
Buildings and improvements	\$ 4,478,848	-	-	4,478,848
Vehicles	170,897	-	-	170,897
Machinery and equipment	1,618,479	-	-	1,618,479
Total, depreciated	6,268,224	-	-	6,268,224
Total accumulated depreciation	3,057,023	136,048	-	3,193,071
Total capital assets, depreciated, net	\$ 3,211,201	(136,048)	-	3,075,153

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4. CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 56,654
Public Safety	121,327
Highway and Streets	<u>132,791</u>
Total depreciation expense	<u>\$ 310,772</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, 2009	Payments	June 30, 2010
	<u>\$ 613,406</u>	<u>(44,229)</u>	<u>569,177</u>

Maturities of the note are as follows:

Year Ending			
June 30	Principal	Interest	Total
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
2015	72,865	35,770	108,635
Thereafter	<u>267,818</u>	<u>58,087</u>	<u>325,905</u>
	<u>\$ 569,177</u>	<u>299,903</u>	<u>869,080</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 6. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2010, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans payable	\$ 154,886	-	(107,034)	47,852	26,669
Compensated absences	<u>18,250</u>	<u>2,548</u>	<u>(7,306)</u>	<u>13,492</u>	<u>3,000</u>
Total	<u>\$ 173,136</u>	<u>2,548</u>	<u>(114,340)</u>	<u>61,344</u>	<u>29,669</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 a fire truck and two police cars. The assets under notes payable totaled \$258,476 at June 30, 2010.

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
2011	<u>\$ 12,576</u>	<u>-</u>	<u>12,576</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

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
2011	\$ 7,397	451	7,848
2012	<u>7,619</u>	<u>229</u>	<u>7,848</u>
Total	<u>\$ 15,016</u>	<u>680</u>	<u>16,241</u>

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
2011	\$ 6,696	418	7,114
2012	6,742	181	6,923
2013	<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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 7. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2010, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Compensated absences	\$ 15,251	3,425	(3,487)	15,189	6,155
Bonds payable	<u>642,586</u>	-	(3,200)	639,386	8,800
Total	<u>\$ 657,837</u>	<u>3,425</u>	<u>(6,687)</u>	654,575	<u>14,955</u>

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

Sewer System Serial Bonds held by Berkadia Commercial Mortgage, 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
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	1,500	50	1,550
	<u>\$ 5,500</u>	<u>750</u>	<u>6,250</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

Water System Improvement Bond, Series - 2001

Year Ending June 30	Principal	Interest	Total
2011	\$ 5,000	20,416	25,416
2012	5,000	20,178	25,178
2013	5,000	19,941	24,941
2014	5,000	19,703	24,703
2015	5,000	19,466	24,466
2016 to 2020	35,000	93,529	128,529
2021 to 2025	50,000	83,080	133,080
2026 to 2030	60,000	70,967	130,967
2031 to 2035	75,000	54,579	129,579
2036 to 2040	100,000	34,390	134,390
2041 to 2042	84,800	8,522	93,322
	<u>\$ 429,800</u>	<u>444,771</u>	<u>874,571</u>

Water System Improvement Bond, Series - 2002

Year Ending June 30	Principal	Interest	Total
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	3,400	9,115	12,515
2016 to 2020	19,600	42,988	62,588
2021 to 2025	24,800	37,864	62,664
2026 to 2030	31,300	31,389	62,689
2031 to 2035	39,400	23,229	62,629
2036 to 2040	49,700	12,931	62,631
2041 to 2042	23,686	1,709	25,395
	<u>\$ 204,086</u>	<u>197,170</u>	<u>401,256</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 8. INTERFUND OPERATING TRANSFERS

The following is a schedule of operating transfers:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds		
General Fund	\$ 108,634	-
Enterprise funds		
Water Fund	-	108,634
Total	<u>\$ 108,634</u>	<u>108,634</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.

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 10. PERA PENSION PLAN (CONTINUED)

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, 2010, 2009, and 2008 was \$7,516, \$7,162 and \$5,691, equal to the amount of the required contributions for each year.

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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.

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2010**

	Cemetery	Court	Court Escrow
ASSETS			
Cash and investments	\$ 37,947	606	83
Receivables			
Gross receipts	-	-	-
Gas	-	-	-
Total assets	<u>\$ 37,947</u>	<u>606</u>	<u>83</u>
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Unreserved, undesignated, special revenues	<u>37,947</u>	<u>606</u>	<u>83</u>
Total fund balances	<u>37,947</u>	<u>606</u>	<u>83</u>
Total fund balances	<u>\$ 37,947</u>	<u>606</u>	<u>83</u>

VILLAGE OF CAPITAN, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2010

	Corrections	Fire Equipment	Fire Protection
ASSETS			
Cash and investments	\$ 48,773	28,730	22,727
Receivables			
Gross receipts	-	-	-
Gas	-	-	-
Total assets	<u>\$ 48,773</u>	<u>28,730</u>	<u>22,727</u>
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Unreserved, undesignated, special revenues	48,773	28,730	22,727
Total fund balances	<u>48,773</u>	<u>28,730</u>	<u>22,727</u>
Total fund balances	<u>\$ 48,773</u>	<u>28,730</u>	<u>22,727</u>

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2010**

	Infrastructure	Lodgers Tax	Juvenile Recreation
ASSETS			
Cash and investments	\$ 54,829	5,188	3,801
Receivables			
Gross receipts	3,511	-	
Gas	5,277	-	
Total assets	<u>\$ 63,617</u>	<u>5,188</u>	<u>3,801</u>
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Unreserved, undesignated, special revenues	63,617	5,188	3,801
Total fund balances	<u>63,617</u>	<u>5,188</u>	<u>3,801</u>
Total fund balances	<u>\$ 63,617</u>	<u>5,188</u>	<u>3,801</u>

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2010**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
ASSETS			
Cash and investments	\$ 13,985	5,248	209
Receivables			
Gross receipts	-	-	1,755
Gas	-	-	-
Total assets	<u>\$ 13,985</u>	<u>5,248</u>	<u>1,964</u>
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Unreserved, undesignated, special revenues	13,985	5,248	1,964
Total fund balances	<u>13,985</u>	<u>5,248</u>	<u>1,964</u>
Total fund balances	<u>\$ 13,985</u>	<u>5,248</u>	<u>1,964</u>

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2010**

	Total Non-major
ASSETS	
Cash and investments	\$ 222,126
Receivables	
Gross receipts	5,266
Gas	5,277
Total assets	<u><u>\$ 232,669</u></u>
LIABILITIES	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
FUND BALANCES	
Unreserved, undesignated, special revenues	<u>232,669</u>
Total fund balances	<u>232,669</u>
Total fund balances	<u><u>\$ 232,669</u></u>

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2010**

	Cemetery	Court	Court Escrow
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, fines	-	26,519	-
Intergovernmental	-	-	-
Interest and investment income	408	27	-
Sales	5,355	-	-
Other	-	187	2,758
Total revenues	5,763	26,733	2,758
Expenditures			
Current			
General government	993	-	2,707
Public safety	-	26,500	-
Highways and streets	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
Total expenditures	993	26,500	2,707
Net change in fund balances	4,770	233	51
Fund balance, beginning of year	33,177	373	32
Fund balance, end of year	\$ 37,947	606	83

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2010**

	Corrections	Fire Equipment	Fire Protection
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, fines	11,020	-	-
Intergovernmental	-	6,620	203,202
Interest and investment income	511	296	1,178
Sales	-	-	-
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	11,531	6,916	204,380
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	-	-	-
Public safety	2,160	337	115,349
Highways and streets	-	-	-
Debt service	-	-	68,973
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	2,160	337	184,322
	<hr/>	<hr/>	<hr/>
Net change in fund balances	9,371	6,579	20,058
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	39,402	22,151	2,669
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 48,773	28,730	22,727
	<hr/>	<hr/>	<hr/>

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2010**

	Infrastructure	Lodgers Tax	Juvenile Recreation
Revenues			
Taxes	\$ 53,138	3,504	-
Licenses, permits, fees, fines	-	-	-
Intergovernmental	-	-	591
Interest and investment income	414	54	39
Sales	-	-	-
Other	-	-	-
	<hr/>		
Total revenues	53,552	3,558	630
	<hr/>		
Expenditures			
Current			
General government	-	2,160	-
Public safety	-	-	-
Highways and streets	4,371	-	-
Debt service	-	-	-
Capital outlay	32,710	-	-
	<hr/>		
Total expenditures	37,081	2,160	-
	<hr/>		
Net change in fund balances	16,471	1,398	630
	<hr/>		
Fund balance, beginning of year	47,146	3,790	3,171
	<hr/>		
Fund balance, end of year	\$ 63,617	5,188	3,801
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2010**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
Revenues			
Taxes	\$ -	-	7,785
Licenses, permits, fees, fines	-	-	-
Intergovernmental	21,800	-	-
Interest and investment income	808	59	14
Sales	-	-	-
Other	-	-	-
Total revenues	22,608	59	7,799
Expenditures			
Current			
General government	-	-	7,856
Public safety	768	-	-
Highways and streets	-	-	-
Debt service	28,139	-	-
Capital outlay	6,482	-	-
Total expenditures	35,389	-	7,856
Net change in fund balances	(12,781)	59	(57)
Fund balance, beginning of year	26,766	5,189	2,021
Fund balance, end of year	\$ 13,985	5,248	1,964

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2010**

	Total Non-major
Revenues	
Taxes	\$ 64,427
Licenses, permits, fees, fines	37,539
Intergovernmental	232,213
Interest and investment income	3,808
Sales	5,355
Other	<u>2,945</u>
Total revenues	<u>346,287</u>
Expenditures	
Current	
General government	13,716
Public safety	145,114
Highways and streets	4,371
Debt service	97,112
Capital outlay	<u>39,192</u>
Total expenditures	<u>299,505</u>
Net change in fund balances	<u>46,782</u>
Fund balance, beginning of year	<u>185,887</u>
Fund balance, end of year	<u><u>\$ 232,669</u></u>

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CEMETERY
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Plot sales	\$ 6,800	6,800	5,355	(1,445)
Interest and investment income	75	75	408	333
Other	50	50	-	(50)
Total revenues	<u>6,925</u>	<u>6,925</u>	<u>5,763</u>	<u>(1,162)</u>
Expenditures				
General government	5,500	5,500	993	4,507
Total expenditures	<u>5,500</u>	<u>5,500</u>	<u>993</u>	<u>4,507</u>
Net change in fund balance	<u>\$ 1,425</u>	<u>1,425</u>	<u>4,770</u>	<u>3,345</u>

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
COURT
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits and fees	\$ 38,810	38,810	26,519	(12,291)
Interest and investment income	-	-	27	27
Other	-	-	187	187
Total revenues	38,810	38,810	26,733	(12,077)
Expenditures				
Public safety	38,800	38,800	26,500	12,300
Total expenditures	38,800	38,800	26,500	12,300
Net change in fund balance	\$ 10	10	233	223

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits and fees	\$ 12,000	12,000	11,020	(980)
Interest and investment income	61	61	511	450
Total revenues	12,061	12,061	11,531	(530)
Expenditures				
Public safety	7,000	7,000	2,160	4,840
Total expenditures	7,000	7,000	2,160	4,840
Net change in fund balance	\$ 5,061	5,061	9,371	4,310

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE EQUIPMENT
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 6,063	6,063	6,620	557
Interest and investment income	-	-	296	296
Total revenues	6,063	6,063	6,916	853
Expenditures				
Public safety	9,000	9,000	337	8,663
Total expenditures	9,000	9,000	337	8,663
Net change in fund balance	(2,937)	(2,937)	6,579	9,516
Prior year cash appropriated	2,937	2,937		
	<u>\$ -</u>	<u>-</u>		

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 155,121	209,421	203,202	(6,219)
Interest and investment income	375	375	1,178	803
Total revenues	155,496	209,796	204,380	(5,416)
Expenditures				
Public safety	134,293	134,293	115,349	18,944
Debt service	21,203	75,503	68,973	6,530
Total expenditures	155,496	209,796	184,322	25,474
Net change in fund balance	\$ -	-	20,058	20,058

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
INFRASTRUCTURE
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 45,000	45,000	50,362	5,362
Interest and investment income	95	95	414	319
Total revenues	45,095	45,095	50,776	5,681
Expenditures				
Highways and streets	15,000	15,000	4,371	10,629
Capital outlay	28,000	28,000	32,710	(4,710)
Total expenditures	43,000	43,000	37,081	5,919
Net change in fund balance	\$ 2,095	2,095	13,695	11,600
Non-GAAP change in fund balance			\$ 13,695	
Change in:				
Accounts receivable			<u>2,776</u>	
GAAP change in fund balance			<u>\$ 16,471</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,500	4,500	3,504	(996)
Interest and investment income	17	17	54	37
Total revenues	<u>4,517</u>	<u>4,517</u>	<u>3,558</u>	<u>(959)</u>
Expenditures				
General government	4,500	6,300	2,160	4,140
Total expenditures	<u>4,500</u>	<u>6,300</u>	<u>2,160</u>	<u>4,140</u>
Net change in fund balance	<u>\$ 17</u>	<u>(1,783)</u>	<u>1,398</u>	<u>3,181</u>
Prior year cash appropriated		<u>1,783</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 475	475	591	116
Interest and investment income	6	6	39	33
Total revenues	<u>481</u>	<u>481</u>	<u>630</u>	<u>149</u>
Expenditures				
General government	1,800	1,800	-	1,800
Total expenditures	<u>1,800</u>	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Net change in fund balance	(1,319)	(1,319)	<u>630</u>	<u>1,949</u>
Prior year fund balance	1,319	1,319		
	<u>\$ -</u>	<u>-</u>		

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 46,801	46,801	21,800	(25,001)
Interest and investment income	62	62	808	746
Total revenues	<u>46,863</u>	<u>46,863</u>	<u>22,608</u>	<u>(24,255)</u>
Expenditures				
Public safety	2,570	10,122	2,772	7,350
Debt service	32,224	32,224	28,139	4,085
Capital outlay	12,069	12,069	6,482	5,587
Total expenditures	<u>46,863</u>	<u>54,415</u>	<u>37,393</u>	<u>17,022</u>
Net change in fund balance	<u>\$ -</u>	<u>(7,552)</u>	<u>(14,785)</u>	<u>(7,233)</u>
Prior year cash appropriated		<u>7,552</u>	<u>14,785</u>	
		<u>-</u>	<u>-</u>	
Non-GAAP change in fund balance			\$ (14,785)	
Change in:				
Accounts payable			<u>2,004</u>	
GAAP change in fund balance			<u>\$ (12,781)</u>	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SMOKEY BEAR DONATION
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ 375	375	59	(316)
Total revenues	<u>375</u>	<u>375</u>	<u>59</u>	<u>(316)</u>
Expenditures				
General government	4,300	4,300	-	4,300
Total expenditures	<u>4,300</u>	<u>4,300</u>	<u>-</u>	<u>4,300</u>
Net change in fund balance	(3,925)	(3,925)	59	3,984
Prior year cash appropriated	3,925	3,925		
	<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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,000	12,000	7,714	(4,286)
Interest and investment income	-	-	14	14
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>7,728</u>	<u>(4,272)</u>
Expenditures				
General government	12,000	12,000	7,856	4,144
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>7,856</u>	<u>4,144</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	(128)	<u>(128)</u>
Prior year cash appropriated			<u>128</u>	
			<u>-</u>	
Non-GAAP change in fund balance			\$ (128)	
Change in:				
Accounts receivable			<u>71</u>	
GAAP change in fund balance			<u>\$ (57)</u>	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
EMERGENCY WATERSHED PROTECTION
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal sources - grants	\$ 1,363,362	1,363,362	1,363,362	-
Interest and investment income	-	-	255	255
Other	-	-	1	1
Total revenues	1,363,362	1,363,362	1,363,618	256
Expenditures				
Capital outlay	1,363,362	1,363,362	1,363,362	-
Total expenditures	1,363,362	1,363,362	1,363,362	-
Net change in fund balance	\$ -	-	256	256

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales and services	\$ 498,850	498,850	524,097	25,247
Intergovernmental	276,000	276,000	-	(276,000)
Lease of water rights	90,000	90,000	90,000	-
Interest and investment income	1,150	1,150	69,237	68,087
Other	5,200	5,200	1,845	(3,355)
Total revenues	871,200	871,200	685,179	(186,021)
Expenses				
Operating expense	503,528	503,528	490,351	13,177
Grant expenses	278,000	278,000	-	278,000
Debt payments	41,285	41,285	32,463	8,822
Total expenses	822,813	822,813	522,814	299,999
Excess of revenues over expenses	48,387	48,387	162,365	113,978
Other financing uses				
Transfers in	-	-	-	-
Transfers out	-	-	(108,635)	(108,635)
	-	-	(108,635)	(108,635)
Net change in net assets	\$ 48,387	48,387	53,730	5,343
Non-GAAP change in fund balance			53,730	
Change in:				
Receivables			8,853	
Accrued expenses			(1,822)	
Non-budgeted items:				
Depreciation			(135,800)	
Principal on debt payments			3,200	
GAAP change in net assets			\$ (71,839)	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SOLID WASTE FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales and services	\$ 185,000	185,000	157,271	(27,729)
Interest and investment income	108	108	520	412
Other	1,500	1,500	-	(1,500)
Total revenues	<u>186,608</u>	<u>186,608</u>	<u>157,791</u>	<u>(28,817)</u>
Expenses				
Operating expense	<u>185,000</u>	<u>185,000</u>	<u>150,749</u>	<u>34,251</u>
Net change in net assets	<u>\$ 1,608</u>	<u>1,608</u>	<u>7,042</u>	<u>5,434</u>
Non-GAAP change in fund balance			7,042	
Change in:				
Accounts receivable			<u>2,693</u>	
GAAP change in net assets			<u>\$ 9,735</u>	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SMOKEY BEAR ENTERPRISE FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales	\$ 72,100	72,100	71,719	(381)
Interest	600	600	611	11
Other	100	100	8	(92)
Total revenues	<u>72,800</u>	<u>72,800</u>	<u>72,338</u>	<u>(462)</u>
Expenses				
Operating expense	<u>72,053</u>	<u>72,053</u>	<u>66,890</u>	<u>5,163</u>
Net change in net assets	<u>\$ 747</u>	<u>747</u>	<u>5,448</u>	<u>4,701</u>
Non-GAAP change in fund balance			5,448	
Change in:				
Inventory			(557)	
Accrued expenses			(5,366)	
Non-budgeted items:				
Depreciation			<u>(248)</u>	
GAAP change in net assets			<u>\$ (723)</u>	

VILLAGE OF CAPITAN, NEW MEXICO
AGENCY FUNDS
June 30, 2010

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, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash	\$ 488	107,983	107,730	741
Total assets	<u>\$ 488</u>	<u>107,983</u>	<u>107,730</u>	<u>741</u>
LIABILITIES				
Due to Motor Vehicles Division	\$ 488	107,983	107,730	741
Total liabilities	<u>\$ 488</u>	<u>107,983</u>	<u>107,730</u>	<u>741</u>

VILLAGE OF CAPITAN
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2010

Depository	Account Name	Type	Depository Balance	Reconciled Balance
City Bank	General Fund	Checking	\$ 572,005	547,640
City Bank	Smokey Bear Donation	Checking	5,248	5,248
City Bank	Smokey Bear Enterprise	Checking	52,444	51,174
City Bank	Water	Checking	365,637	354,719
City Bank	Payroll	Checking	15,799	12,703
City Bank	CDBG	Checking	1	-
City Bank	Cemetery	Checking	38,053	37,947
City Bank	Court Escrow	Checking	142	83
City Bank	Court	Checking	18	18
City Bank	Correction	Checking	48,773	48,773
City Bank	Fire Equipment	Checking	28,730	28,730
City Bank	Fire Department	Checking	92,437	20,993
City Bank	Infrastructure	Checking	54,829	54,829
City Bank	Lodger's tax	Checking	5,188	5,188
City Bank	Juvenile recreation	Checking	3,801	3,801
City Bank	Law enforcement protection	Checking	13,107	12,732
City Bank	Solid Waste	Checking	23,122	23,122
City Bank	Environmental gross receipts tax	Checking	3,892	209
City Bank	Water security	Checking	35,815	35,514
City Bank	Emergency Watershed Protection Project	Checking	273	273
First Federal Bank	Court	Checking	2,184	588
First Federal Bank	CD - Water	CD	300,000	300,000
First Federal Bank	CD - General Fund	CD	500,000	500,000
Total cash and cash equivalents - non-agency funds			2,161,498	2,044,284
Petty Cash	Water		-	300
Total cash and cash equivalents - non-agency funds			2,161,498	2,044,584
NM State Treasurer	General Fund	Investment	8,007	8,007
NM State Treasurer	Water Fund	Investment	2,098	2,098
NM State Treasurer	Reserve Contingency - General Fund	Investment	1,990	1,990
NM State Treasurer	Reserve Contingency - Water Fund	Investment	521	521
Bank of Albuquerque	NMFA Debt Svc - Building	Investment	2,708	2,708
Bank of Albuquerque	NMFA Debt Svc - Fire Pumper Truck	Investment	1,734	1,734
Bank of Albuquerque	NMFA Debt Svc - Police Vehicle	Investment	1,253	1,253
			18,311	18,311
Total deposit and investment accounts - non-agency			\$ 2,179,809	2,062,895
Agency funds cash accounts				
City Bank	MVD	Checking	\$ 5,354	541
Total cash and cash equivalents - agency funds				
Petty Cash	MVD Clerk		-	200
Total cash - agency funds			\$ 5,354	741

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2010

	City Bank	First Federal	Total
Deposits at June 30, 2010	\$ 1,359,314	802,184	2,161,498
Less: FDIC coverage	250,000	250,018	500,018
Uninsured public funds	1,109,314	552,166	1,661,480
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	2,000,000	1,500,000	3,500,000
Uninsured and uncollateralized	\$ (890,686)	(947,834)	(1,838,520)
50% pledged collateral requirement per statute	\$ 554,657	276,083	830,740
Total pledged collateral	2,000,000	1,500,000	3,500,000
Pledged collateral over the requirement	\$ (1,445,343)	(1,223,917)	(2,669,260)

Pledged collateral at June 30, 2010 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
FHLB Bond	3136FJVZ1	12/17/2019	-	1,500,000	1,500,000
			\$ 2,000,000	1,500,000	3,500,000

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

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2010

<u>Grantor Agency and Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture		
Grant #69-8C30-09-0001 USDA Natural Resources Conservation Service Agreement. NRCS Emergency Watershed	10.054	<u>\$ 1,363,362</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
June 30, 2010

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Village. The schedule is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*.

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

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 financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Village of Capitan (Village), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency *in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 U.S. Department of Agriculture, 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
November 10, 2010

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Village of Capitan (Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the Village's major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

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

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended June 30, 2010.

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

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the Village's management, the Department of Finance and Administration, the U.S. Department of Agriculture, the New Mexico State Legislature, the Office of the State Auditor and the Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Albuquerque, New Mexico
November 10, 2010

VILLAGE OF CAPITAN, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

09-1 Preparation of financial statements

Resolved

**VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Village.
2. There were no significant deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statement of the Village were disclosed during the audit.
4. No deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Village expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Village.
7. The programs tested as major programs included:

	CFDA Number
NRCS Emergency Watershed	10.054
8. The dollar threshold used for distinguishing between Type A and B programs of the Village was \$300,000.
9. The Village was determined to be a high risk auditee.

**VILLAGE OF CAPITAN, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2010**

An exit conference was held on October 1, 2010, 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

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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.