

# **PORCH & ASSOCIATES LLC**

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**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**VILLAGE OF CAPITAN, NEW MEXICO**

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

**June 30, 2012**

VILLAGE OF CAPITAN, NEW MEXICO

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**VILLAGE OF CAPITAN, NEW MEXICO**

**List of Principal Officials**

**June 30, 2012**

**Village Trustees**

Sammy L. Hammons	Mayor
Diane Riska	Mayor Pro-Tem
Lilly Bradley	Trustee
Dennis Haskell	Trustee
Ricky LaMay	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 and fire protection fund, of the Village of Capitan (Village), as of and for the year ended June 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules, and budgetary comparison statements of all nonmajor funds as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and fire protection fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and nonmajor enterprise funds of the Village, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all 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 2, 2012 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, 2012, the Village has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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



Albuquerque, New Mexico  
November 2, 2012

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,956,340	969,032	2,925,372
Receivables			
Accounts receivable, net of allowance	-	62,966	62,966
Taxes	92,626	-	92,626
Grants	99,300	-	99,300
Inventory	-	14,304	14,304
Capital assets, not depreciated	121,175	4,059,132	4,180,307
Capital assets, net of accumulated depreciation	5,095,085	3,399,457	8,494,542
	<hr/>		
<b>Total assets</b>	7,364,526	8,504,891	15,869,417
	<hr/>		
<b>LIABILITIES</b>			
Accounts payable	5,203	-	5,203
Royalties payable	-	31	31
Sales tax payable	-	8,383	8,383
Fees payable	-	277	277
Accrued compensation and benefits	29,421	7,220	36,641
Court bonds payable	19	-	19
Interest payable	-	14,934	14,934
Deposits payable	-	29,532	29,532
Compensated absences, due in one year	15,000	6,375	21,375
Compensated absences, due in more than one year	6,677	-	6,677
Long-term liabilities, due in one year	6,822	16,645	23,467
Long-term liabilities, due in more than one year	-	807,174	807,174
	<hr/>		
<b>Total liabilities</b>	63,142	890,571	953,713
	<hr/>		
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,209,438	6,634,770	11,844,208
Restricted for:			
Inventory	-	14,304	14,304
Unrestricted	2,091,946	965,246	3,057,192
	<hr/>		
<b>Total net assets</b>	\$ 7,301,384	7,614,320	14,915,704
	<hr/>		

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



VILLAGE OF CAPITAN, NEW MEXICO  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

<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	Primary Government Business-Type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 326,674	25,637	222,378	129,423	50,764	-	50,764
Public safety	497,259	33,082	162,228	-	(301,949)	-	(301,949)
Highways and streets	443,433	-	-	53,082	(390,351)	-	(390,351)
<b>Total governmental activities</b>	<b>1,267,776</b>	<b>58,719</b>	<b>384,606</b>	<b>182,505</b>	<b>(641,946)</b>	<b>-</b>	<b>(641,946)</b>
Business-type activities							
Utility Water and Sewer	612,403	568,099	-	-	-	(44,304)	(44,304)
Solid Waste	175,257	163,227	-	-	-	(12,030)	(12,030)
Smokey Bear Enterprise	67,075	68,714	-	-	-	1,639	1,639
<b>Total business-type activities</b>	<b>854,735</b>	<b>800,040</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(54,695)</b>	<b>(54,695)</b>
<b>Total primary government</b>	<b>\$ 2,122,511</b>	<b>858,759</b>	<b>384,606</b>	<b>182,505</b>	<b>(641,946)</b>	<b>(54,695)</b>	<b>(696,641)</b>
General Revenues							
Franchise taxes					35,862	-	35,862
Gasoline taxes					19,740	-	19,740
Gross receipts taxes					515,413	-	515,413
Property taxes					70,099	-	70,099
Cigarette taxes					3	-	3
Lodgers taxes					3,380	-	3,380
Interest and investment earnings					3,466	28,213	31,679
Lease of water rights					-	90,000	90,000
Transfers in: Severance tax appropriation					-	193,409	193,409
Other					44,672	3,364	48,036
Operating transfers in					545,929	276	546,205
Operating transfers out					(276)	(545,929)	(546,205)
<b>Total general revenues</b>					<b>1,238,288</b>	<b>(230,667)</b>	<b>1,007,621</b>
<b>Change in net assets</b>					<b>596,342</b>	<b>(285,362)</b>	<b>310,980</b>
Net assets, beginning					6,705,042	7,899,682	14,604,724
<b>Net assets, ending</b>					<b>\$ 7,301,384</b>	<b>7,614,320</b>	<b>14,915,704</b>

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

**VILLAGE OF CAPITAN, NEW MEXICO  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General	Fire Protection	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and investments	\$ 1,553,060	208,713	194,567	1,956,340
Receivables				
Taxes				
Property	2,217	-	-	2,217
Gross receipts	73,858	-	5,814	79,672
Gas	-	-	3,177	3,177
Motor vehicle	472	-	-	472
Franchise	7,088	-	-	7,088
Grants	99,300	-	-	99,300
<b>Total assets</b>	<b>\$ 1,735,995</b>	<b>208,713</b>	<b>203,558</b>	<b>2,148,266</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,203	-	-	5,203
Accrued compensation and benefits	29,421	-	-	29,421
Court bonds payable	-	-	19	19
Deferred revenue	53,083	-	-	53,083
<b>Total liabilities</b>	<b>87,707</b>	<b>-</b>	<b>19</b>	<b>87,726</b>
<b>FUND BALANCES</b>				
Restricted for:				
Special revenue funds	-	208,713	158,076	366,789
Capital projects funds	-	-	878	878
Committed to:				
Special revenue funds	-	-	41,569	41,569
Assigned to:				
Special revenue funds	-	-	3,016	3,016
Unassigned:				
General fund	1,648,288	-	-	1,648,288
<b>Total fund balances</b>	<b>1,648,288</b>	<b>208,713</b>	<b>203,539</b>	<b>2,060,540</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,735,995</b>	<b>208,713</b>	<b>203,558</b>	<b>2,148,266</b>

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

**VILLAGE OF CAPITAN, NEW MEXICO**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

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

<b>Total fund balance - governmental funds</b>	\$ 2,060,540
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method	53,083
Accrued compensated absences not payable from current revenues	(21,677)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	5,216,260
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>(6,822)</u>
<b>Net assets - governmental activities</b>	<u><u>\$ 7,301,384</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, 2012**

	General	Fire Protection	Nonmajor Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 584,194	-	60,303	644,497
Licenses, permits, fees, fines	34,458	-	22,161	56,619
Federal sources:				
Grant	51,795	-	-	51,795
Non-federal sources:				
Intergovernmental	200,986	147,970	113,278	462,234
Grant	38,137	-	-	38,137
Interest and investment income	1,608	737	1,121	3,466
Sales	-	-	2,100	2,100
Other	43,580	-	1,092	44,672
<b>Total revenues</b>	<b>954,758</b>	<b>148,707</b>	<b>200,055</b>	<b>1,303,520</b>
<b>Expenditures</b>				
Current				
General government	234,214	-	23,046	257,260
Public safety	287,204	52,810	21,025	361,039
Highways and streets	354,780	-	109,803	464,583
Debt service	-	-	14,771	14,771
Capital outlay	194,107	-	80,620	274,727
<b>Total expenditures</b>	<b>1,070,305</b>	<b>52,810</b>	<b>249,265</b>	<b>1,372,380</b>
(Deficiency) excess of revenues over expenditures before other financings sources	(115,547)	95,897	(49,210)	(68,860)
<b>Other Financing Sources</b>				
Operating transfers in	545,929	-	-	545,929
Operating transfers out	-	-	(276)	(276)
<b>Total other financing sources</b>	<b>545,929</b>	<b>-</b>	<b>(276)</b>	<b>545,653</b>
<b>Net change in fund balances</b>	<b>430,382</b>	<b>95,897</b>	<b>(49,486)</b>	<b>476,793</b>
Fund balance, beginning of year	1,217,906	112,816	253,025	1,583,747
<b>Fund balance, end of year</b>	<b>\$ 1,648,288</b>	<b>208,713</b>	<b>203,539</b>	<b>2,060,540</b>

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

**VILLAGE OF CAPITAN, NEW MEXICO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2012**

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

**Net changes in fund balances - governmental funds** **\$ 476,793**

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	(348,926)	
Capital outlay	444,974	
Excess of capital outlay over depreciation expense	96,048	96,048

Deferred revenue is recorded as income under the accrual method, and not the modified accrual method		14,945
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Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.		(5,805)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		14,361
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**Change in net assets - governmental activities** **\$ 596,342**

*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, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 566,406	566,406	586,537	20,131
Licenses and permits and fees	24,025	24,025	34,458	10,433
Intergovernmental	165,000	165,000	215,931	50,931
Interest and investment income	4,800	4,800	1,608	(3,192)
Grants	215,062	215,062	38,137	(176,925)
Other	115,647	115,647	43,580	(72,067)
<b>Total revenues</b>	<b>1,090,940</b>	<b>1,090,940</b>	<b>920,251</b>	<b>(170,689)</b>
<b>Expenditures</b>				
General government	270,659	270,659	220,677	49,982
Public safety	271,251	271,251	287,204	(15,953)
Highways and streets	343,790	348,790	354,780	(5,990)
Capital outlay	172,996	413,592	194,107	219,485
<b>Total expenditures</b>	<b>1,058,696</b>	<b>1,304,292</b>	<b>1,056,768</b>	<b>247,524</b>
(Deficiency) excess of revenues over expenditures	32,244	(213,352)	(136,517)	76,835
<b>Other financing sources</b>				
Operating transfers in	-	437,929	545,929	108,000
<b>Total other financing sources</b>	<b>-</b>	<b>437,929</b>	<b>545,929</b>	<b>108,000</b>
<b>Net change in fund balance</b>	<b>\$ 32,244</b>	<b>224,577</b>	<b>409,412</b>	<b>184,835</b>
<b>Non-GAAP change in fund balance</b>			<b>\$ 409,412</b>	
Change in:				
Receivables			49,452	
Accounts payable			(5,203)	
Accrued compensation and benefits			(8,334)	
Deferred revenue			(14,945)	
<b>GAAP change in fund balance</b>			<b>\$ 430,382</b>	

*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)**  
**FIRE PROTECTION**  
**Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 117,000	147,970	147,970	-
Interest and investment income	1,300	1,300	737	(563)
<b>Total revenues</b>	<b>118,300</b>	<b>149,270</b>	<b>148,707</b>	<b>(563)</b>
Expenditures				
Public safety	231,116	262,086	52,810	209,276
<b>Total expenditures</b>	<b>231,116</b>	<b>262,086</b>	<b>52,810</b>	<b>209,276</b>
Net change in fund balance	(112,816)	(112,816)	95,897	208,713
Prior year cash appropriated	112,816	112,816		
	<u>\$ -</u>	<u>-</u>		

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

**VILLAGE OF CAPITAN, NEW MEXICO**  
**BALANCE SHEET -**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

ASSETS	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
<b>Current Assets</b>				
Cash and investments	\$ 902,379	18,743	47,910	969,032
Accounts receivable, net of allowance	48,143	14,823	-	62,966
Inventory	-	-	14,304	14,304
<b>Total current assets</b>	<b>950,522</b>	<b>33,566</b>	<b>62,214</b>	<b>1,046,302</b>
<b>Capital Assets</b>				
Land and water rights	4,059,132	-	-	4,059,132
Plant and equipment	6,518,471	-	1,691	6,520,162
Buildings and improvements	142,098	-	34,875	176,973
Vehicles	170,621	-	-	170,621
Accumulated depreciation	(3,435,185)	-	(33,114)	(3,468,299)
<b>Total capital assets, net</b>	<b>7,455,137</b>	<b>-</b>	<b>3,452</b>	<b>7,458,589</b>
<b>Total assets</b>	<b>\$ 8,405,659</b>	<b>33,566</b>	<b>65,666</b>	<b>8,504,891</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Royalties payable	\$ -	-	31	31
Sales tax payable	3,646	-	4,737	8,383
Fees payable	277	-	-	277
Accrued compensation and benefits	6,350	-	870	7,220
Interest payable	14,934	-	-	14,934
Deposits payable	29,532	-	-	29,532
Compensated absences, current portion	5,174	-	1,201	6,375
Bonds payable, current portion	16,645	-	-	16,645
<b>Total current liabilities</b>	<b>76,558</b>	<b>-</b>	<b>6,839</b>	<b>83,397</b>
<b>Long-Term Liabilities</b>				
Bonds payable	807,174	-	-	807,174
<b>Total long-term liabilities</b>	<b>807,174</b>	<b>-</b>	<b>-</b>	<b>807,174</b>
<b>Total liabilities</b>	<b>883,732</b>	<b>-</b>	<b>6,839</b>	<b>890,571</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	6,631,318	-	3,452	6,634,770
Restricted for inventory	-	-	14,304	14,304
Unrestricted	890,609	33,566	41,071	965,246
<b>Total net assets</b>	<b>7,521,927</b>	<b>33,566</b>	<b>58,827</b>	<b>7,614,320</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,405,659</b>	<b>33,566</b>	<b>65,666</b>	<b>8,504,891</b>

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



**VILLAGE OF CAPITAN, NEW MEXICO  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET  
ASSETS - PROPRIETARY FUNDS  
Year Ended June 30, 2012**

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating Revenues				
Sales and services	\$ 568,099	163,227	68,714	800,040
Operating Expenses				
Operating expenses	441,002	175,257	66,517	682,776
Depreciation	138,898	-	558	139,456
<b>Total operating expenses</b>	<b>579,900</b>	<b>175,257</b>	<b>67,075</b>	<b>822,232</b>
Operating Income (Loss)	(11,801)	(12,030)	1,639	(22,192)
Nonoperating Revenues (Expenses)				
Other	3,353	-	11	3,364
Lease of water rights	90,000	-	-	90,000
Interest income	27,925	104	184	28,213
Interest expense	(32,503)	-	-	(32,503)
Transfers in - severance tax appropriation	193,409	-	-	193,409
Transfers in	276	-	-	276
Transfers out	(545,929)	-	-	(545,929)
<b>Total nonoperating (expenses)         revenues</b>	<b>(263,469)</b>	<b>104</b>	<b>195</b>	<b>(263,170)</b>
<b>Change in net assets</b>	<b>(275,270)</b>	<b>(11,926)</b>	<b>1,834</b>	<b>(285,362)</b>
Net assets, beginning of year	7,797,197	45,492	56,993	7,899,682
<b>Net assets, end of year</b>	<b>\$ 7,521,927</b>	<b>33,566</b>	<b>58,827</b>	<b>7,614,320</b>

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

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2012**

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from customers	\$ 577,500	163,227	68,714	809,441
Cash payments to vendors and employees	(429,796)	(175,257)	(69,214)	(674,267)
<b>Net cash provided (used) by operating activities</b>	<b>147,704</b>	<b>(12,030)</b>	<b>(500)</b>	<b>135,174</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>				
Other income	3,353	-	11	3,364
Operating transfers, net	(545,653)	-	-	(545,653)
<b>Net cash (used) provided by noncapital financing activities</b>	<b>(542,300)</b>	<b>-</b>	<b>11</b>	<b>(542,289)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Principal payment on bonds	(10,000)	-	-	(10,000)
Interest payment on bonds	(32,503)	-	-	(32,503)
Issuance of new debt	202,733	-	-	202,733
Tsf in - severance tax appropriation	193,409	-	-	193,409
Purchase of capital assets	(586,218)	-	-	(586,218)
<b>Net cash used by capital and related financing activities</b>	<b>(232,579)</b>	<b>-</b>	<b>-</b>	<b>(232,579)</b>
<b>Cash Flows From Investing Activities</b>				
Interest received on investments	27,925	104	184	28,213
Sale of water rights	90,000	-	-	90,000
Principal received on notes	520,304	-	-	520,304
<b>Net cash provided by investing activities</b>	<b>638,229</b>	<b>104</b>	<b>184</b>	<b>638,517</b>
<b>Net change in cash</b>	<b>11,054</b>	<b>(11,926)</b>	<b>(305)</b>	<b>(1,177)</b>
Cash, beginning of year	891,325	30,669	48,215	970,209
<b>Cash, end of year</b>	<b>\$ 902,379</b>	<b>18,743</b>	<b>47,910</b>	<b>969,032</b>

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

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS (CONTINUED)**  
**Year Ended June 30, 2012**

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating (loss) income	\$ (11,801)	(12,030)	1,639	(22,192)
Adjustments to reconcile operating income to net cash flows				
Depreciation expense	138,898	-	558	139,456
Changes in assets and liabilities				
Accounts receivable	9,401	-	-	9,401
Grants receivable	22,328	-	-	22,328
Inventory	-	-	(3,288)	(3,288)
Accrued expenses	(11,122)	-	591	(10,531)
<b>Net cash provided (used)     by operating activities</b>	<u>\$ 147,704</u>	<u>(12,030)</u>	<u>(500)</u>	<u>135,174</u>

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

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF FIDUCIARY NET ASSETS -**  
**AGENCY FUNDS**  
**June 30, 2012**

**ASSETS**

Cash	\$ 696
<b>Total assets</b>	<u>\$ 696</u>

**LIABILITIES**

Due to Motor Vehicle Division	\$ 696
<b>Total liabilities</b>	<u>\$ 696</u>

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

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**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, 2012.

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, 2012

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, 2012**

**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 10<sup>th</sup> and May 10<sup>th</sup>. The County remits to the Village a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 30 days after the date on which they are due.

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

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

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

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

The Village reports the following major governmental funds:

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

*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.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**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 collection of fees on the behalf of Green Tree Solid Waste, and then remitted to them.

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, 2012**

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

**B. Cash and Investments (Continued)**

The Village passed a resolution which adopts the State's investment policy as the Village's investments 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, 2012**

**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 demand deposit, certificate of deposits, and highly liquid investments (excluding restricted assets) to be cash equivalents.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**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**

Beginning with fiscal year 2011, the Village implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e., Village Council). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Village intends to use for a specific purpose. Intent can be expressed by the Village Council or by an official or body to which the Village Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Village Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Village Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**E. Fund Equity (Continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Village considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Village Council have provided otherwise in its commitment or assignment actions.

**Major Funds**

The Fire Protection Fund has Restricted Funds of \$208,713 consisting of intergovernmental revenues to be used for fire protection services and debt service on fire vehicles.

**Other Funds**

*Restricted Fund Balances.* The Cemetery, Corrections, Infrastructure, Lodgers Tax, Juvenile Recreation, Law Enforcement Protection, and Environmental Gross Receipts Tax, and CDBG Senior Center funds have a fund balances restricted due to enabling legislation. The purpose of each fund and reference to the enabling legislation may be found on page 38.

*Committed Fund Balances.* The Fire Equipment fund has a fund balance committed due to Village resolution. The purpose of the fund and reference to the Village resolution may be found on page 38.

*Assigned Fund Balances.* The Court, Court Escrow, and Smokey Bear Donation funds have assigned balances. It is management's intent to use the fund balances for the purposes which are referenced on page 38.

**Net Assets of Proprietary Funds**

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.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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.

**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.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**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 the court escrow and emergency watershed protection funds.

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 a resolution.
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.

**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.

VILLAGE OF CAPITAN, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

N. Implementation of New Accounting Standards

During the year ended June 30, 2012, the Village adopted Government Accounting Standards Board Statement (GASB) No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The statement 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, 2012, the Village's bank balance total of \$2,959,612 was exposed to credit risk in the amount of \$2,457,305 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 2,457,305</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.

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. All of the Village's checking accounts bear interest.

*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.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

*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 Treasurer's office notified the Village that \$1,737 of the General Fund and \$455 of the Water Fund contingency accounts was written off during the year ending June 30, 2012. The remaining funds are not accessible by the Village. The funds may be used to cover losses from the failure of a money market in which the LGIP was invested. The Village does not know if the money will be returned.

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

*Interest Rate Risk* – The LGIP's policy is to invest in securities with an average maturity of less than 182 days, or a 0.5 yearly average term. The LGIP's weighted average maturity at June 30, 2012 was 60 days.

*Credit Quality* – The LGIP is rated AAAM.

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



**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**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, 2012:

Accounts receivable	\$ 94,766
Allowance for uncollectible accounts	<u>(31,800)</u>
Accounts receivable, net	<u>\$ 62,966</u>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ending June 30, 2012 was as follows:

	Beginning Balance	Additions	Reclass Entries	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not depreciated				
Land	\$ 87,675	33,500	-	121,175
<b>Total, not depreciated</b>	<b>\$ 87,675</b>	<b>33,500</b>	<b>-</b>	<b>121,175</b>
Capital assets, depreciated				
Buildings	\$ 996,851	228,052	-	1,224,903
Vehicles	1,649,141	-	-	1,649,141
Machinery and equipment	219,791	-	-	219,791
Infrastructure	4,461,247	183,422	-	4,644,669
<b>Total, depreciated</b>	<b>7,327,030</b>	<b>411,474</b>	<b>-</b>	<b>7,738,504</b>
Accumulated depreciation for:				
Buildings	315,648	33,197	-	348,845
Vehicles	1,243,068	123,500	-	1,366,568
Machinery and equipment	159,310	13,168	-	172,478
Infrastructure	576,467	179,061	-	755,528
<b>Total accumulated depreciation</b>	<b>2,294,493</b>	<b>348,926</b>	<b>-</b>	<b>2,643,419</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 5,032,537</b>	<b>62,548</b>	<b>-</b>	<b>5,095,085</b>
<b>Business-type Activities</b>				
Capital assets, not depreciated				
Land and water rights	\$ 4,025,632	33,500	-	4,059,132
<b>Total, not depreciated</b>	<b>\$ 4,025,632</b>	<b>33,500</b>	<b>-</b>	<b>4,059,132</b>
Capital assets, depreciated				
Plant and equipment	\$ 4,482,533	410,620	1,627,009	6,520,162
Buildings and improvements	-	142,098	34,875	176,973
Vehicles	170,897	-	(276)	170,621
Machinery and equipment	1,661,608	-	(1,661,608)	-
<b>Total, depreciated</b>	<b>6,315,038</b>	<b>552,718</b>	<b>-</b>	<b>6,867,756</b>
<b>Total accumulated depreciation</b>	<b>3,328,843</b>	<b>139,456</b>	<b>-</b>	<b>3,468,299</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 2,986,195</b>	<b>413,262</b>	<b>-</b>	<b>3,399,457</b>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

Governmental activities	
General government	\$ 63,609
Public Safety	136,220
Highway and Streets	<u>149,097</u>
<b>Total depreciation expense</b>	<b><u>\$ 348,926</u></b>

**NOTE 5. NOTE RECEIVABLE**

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

Note receivable activity for the year was as follows:

Balance June 30, 2011	Payments	Balance June 30, 2012
\$ 520,304	(520,304)	<u>-</u>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

During the year ended June 30, 2012, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans payable	\$ 21,183	-	(14,361)	<b>6,822</b>	6,822
Compensated absences	<u>15,872</u>	<u>21,677</u>	<u>(15,872)</u>	<u><b>21,677</b></u>	<u>15,000</u>
<b>Total</b>	<u>\$ 37,055</u>	<u>21,677</u>	<u>(30,233)</u>	<u><b>28,499</b></u>	<u>21,822</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, 2012.

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
2013	<u>\$ 6,822</u>	<u>101</u>	<u>6,923</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, 2012**

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

During the year ended June 30, 2012, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Bonds payable	\$ 631,086	-	(10,000)	<b>621,086</b>	9,100
Loans payable	-	202,733	-	<b>202,733</b>	7,545
Compensated absences	16,563	6,375	(16,563)	<b>6,375</b>	6,375
<b>Total</b>	<b>\$ 647,649</b>	<b>209,108</b>	<b>(26,563)</b>	<b>830,194</b>	<b>23,020</b>

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
2013	\$ 1,000	150	1,150
2014	1,000	100	1,100
2015	1,000	50	1,050
	<u>\$ 3,000</u>	<u>300</u>	<u>5,300</u>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

Water System Improvement Bond, Series - 2001

Year Ending June 30	Principal	Interest	Total
2013	\$ 5,000	19,941	24,941
2014	5,000	19,703	24,703
2015	5,000	19,466	24,466
2016	5,000	19,228	24,228
2017	10,000	18,991	28,991
2018 to 2022	50,000	87,830	137,830
2023 to 2027	55,000	75,955	130,955
2028 to 2032	75,000	60,516	135,516
2033 to 2037	95,000	41,278	136,278
2038 to 2042	114,800	16,341	131,141
	<u>\$ 419,800</u>	<u>379,249</u>	<u>799,049</u>

Water System Improvement Bond, Series - 2002

Year Ending June 30	Principal	Interest	Total
2013	\$ 3,100	9,419	12,519
2014	3,300	9,271	12,571
2015	3,400	9,115	12,515
2016	3,600	8,953	12,553
2017	3,700	8,782	12,482
2018 to 2022	21,500	41,083	62,583
2023 to 2027	27,200	35,451	62,651
2028 to 2032	34,300	28,349	62,649
2033 to 2037	43,300	19,396	62,696
2038 to 2042	54,886	8,096	62,982
	<u>\$ 198,286</u>	<u>177,915</u>	<u>376,201</u>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

During the year ended June 30, 2012, the Village borrowed \$202,733 as part of the New Mexico Environment Department's Rural Infrastructure Program. The proceeds were used for waste water system improvements. The loan is to be paid in twenty 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
2013	\$ 7,545	6,082	13,627
2014	7,771	5,856	13,627
2015	8,004	5,623	13,627
2016	8,244	5,383	13,627
2017	8,492	5,135	13,627
2018 to 2022	46,437	21,698	68,135
2023 to 2027	53,833	14,302	68,135
2028 to 2032	62,407	5,728	68,135
	<u>\$ 202,733</u>	<u>69,807</u>	<u>272,540</u>

**NOTE 8. INTERFUND OPERATING TRANSFERS**

The following is a schedule of operating transfers:

Major Funds	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 545,929	-
Enterprise Funds		
Utility Water and Sewer Fund	-	545,929
<b>Total</b>	<u>\$ 545,929</u>	<u>545,929</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.

Nonmajor Funds	In	Out
Enterprise Funds		
Utility Water and Sewer Fund	\$ 276	-
Governmental Funds		
CDBG Senior Center	-	276
<b>Total</b>	<u>\$ 276</u>	<u>276</u>

The transfer was to close the CDBG grant account.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**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**

*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 benefits, 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 for the plan. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Police officers are required to contribute 7.00% of their gross salary. The Village is required to contribute 10% of the gross covered salary. The contribution requirements of plan members and the Village are established in State statute 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 years ending June 30, 2012, 2011, and 2010 was \$7,706, \$7,486 and \$7,516, respectively, which equal the amount of the required contributions for each fiscal 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.



**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 11. PENSION PLAN AND DEFERRED COMPENSATION PLAN  
(CONTINUED)**

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

**NOTE 12. RETIREE HEALTH CARE ACT**

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

**NOTE 13. RISK MANAGEMENT**

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

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

**NOTE 14. JOINT POWERS AGREEMENTS**

The Village of Capitan, Lincoln County, Green Tree Solid Waste (Green Tree), 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 Green Tree. 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 Village has pledged a portion of its Environmental Gross Receipts tax to Green Tree. The audit responsibility is with the Green Tree.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 14. JOINT POWERS AGREEMENTS (CONTINUED)**

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

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

**NOTE 15. SUBSEQUENT EVENTS**

The Village has evaluated subsequent events through November 2, 2012, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2012.

**VILLAGE OF CAPITAN, NEW MEXICO**  
**NON-MAJOR FUNDS**  
**June 30, 2012**

**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. The fund was established by Village management.

*Court Escrow Fund.* To account for bonds associated to court processes. The fund was established by Village management.

*Corrections Fund.* To establish an additional sources of funds for municipalities to offset the costs of corrections. The source of funds is a twenty-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.

*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. The fund was established by Village management.

*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.

*CDBG Senior Center.* To account for grant money received and spent on Capitan's senior center.

**VILLAGE OF CAPITAN, NEW MEXICO  
COMBINING BALANCE SHEET  
NONMAJOR FUNDS  
June 30, 2012**

	Cemetery	Court	Court Escrow
<b>ASSETS</b>			
Cash and investments	\$ 35,457	569	116
Receivables			
Gross receipts	-	-	-
Gas	-	-	-
<b>Total assets</b>	<b>\$ 35,457</b>	<b>569</b>	<b>116</b>
<b>LIABILITIES</b>			
Court bonds payable	\$ -	-	19
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>19</b>
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue funds	35,457	-	-
Capital project funds	-	-	-
Committed to special revenue funds	-	-	-
Assigned to special revenue funds	-	569	97
<b>Total fund balances</b>	<b>35,457</b>	<b>569</b>	<b>97</b>
<b>Total fund balances and liabilities</b>	<b>\$ 35,457</b>	<b>569</b>	<b>116</b>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2012**

	Corrections	Fire Equipment	Infrastructure
<b>ASSETS</b>			
Cash and investments	\$ 61,029	41,569	40,115
Receivables			
Gross receipts	-	-	3,876
Gas	-	-	3,177
<b>Total assets</b>	<b>\$ 61,029</b>	<b>41,569</b>	<b>47,168</b>
<b>LIABILITIES</b>			
Court bonds payable	\$ -	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue funds	61,029	-	47,168
Capital project funds	-	-	-
Committed to special revenue funds	-	41,569	-
Assigned to special revenue funds	-	-	-
<b>Total fund balances</b>	<b>61,029</b>	<b>41,569</b>	<b>47,168</b>
<b>Total fund balances and liabilities</b>	<b>\$ 61,029</b>	<b>41,569</b>	<b>47,168</b>

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2012**

	Lodgers Tax	Juvenile Recreation	Law Enforcement Protection
<b>ASSETS</b>			
Cash and investments	\$ 4,574	4,057	2,889
Receivables			
Gross receipts	-		-
Gas	-		-
	<hr/>		
<b>Total assets</b>	<b>\$ 4,574</b>	<b>4,057</b>	<b>2,889</b>
	<hr/> <hr/>		
<b>LIABILITIES</b>			
Court bonds payable	\$ -	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>		
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue funds	4,574	4,057	2,889
Capital project funds	-	-	-
Committed to special revenue funds	-	-	-
Assigned to special revenue funds	-	-	-
	<hr/>		
<b>Total fund balances</b>	<b>4,574</b>	<b>4,057</b>	<b>2,889</b>
	<hr/>		
<b>Total fund balances and liabilities</b>	<b>\$ 4,574</b>	<b>4,057</b>	<b>2,889</b>
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2012**

	Smokey Bear Donation	Environmental Gross Receipts Tax	Emergency Watershed Protection
<b>ASSETS</b>			
Cash and investments	\$ 2,350	964	-
Receivables			
Gross receipts	-	1,938	-
Gas	-	-	-
	<hr/>		
<b>Total assets</b>	<b>\$ 2,350</b>	<b>2,902</b>	<b>-</b>
<hr/>			
<b>LIABILITIES</b>			
Court bonds payable	\$ -	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<hr/>			
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue funds	-	2,902	-
Capital project funds	-	-	-
Committed to special revenue funds	-	-	-
Assigned to special revenue funds	2,350	-	-
	<hr/>		
<b>Total fund balances</b>	<b>2,350</b>	<b>2,902</b>	<b>-</b>
<hr/>			
<b>Total fund balances and liabilities</b>	<b>\$ 2,350</b>	<b>2,902</b>	<b>-</b>
<hr/>			

**VILLAGE OF CAPITAN, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2012**

	CDBG Senior Center	Total Non-major
<b>ASSETS</b>		
Cash and investments	\$ 878	194,567
Receivables		
Gross receipts	-	5,814
Gas	-	3,177
	<hr/>	
<b>Total assets</b>	<b>\$ 878</b>	<b>203,558</b>
	<hr/> <hr/>	
<b>LIABILITIES</b>		
Court bonds payable	\$ -	19
<b>Total liabilities</b>	<b>-</b>	<b>19</b>
	<hr/> <hr/>	
<b>FUND BALANCES</b>		
Restricted for:		
Special revenue funds	-	158,076
Capital project funds	878	878
Committed to special revenue funds	-	41,569
Assigned to special revenue funds	-	3,016
	<hr/>	
<b>Total fund balances</b>	<b>878</b>	<b>203,539</b>
	<hr/> <hr/>	
<b>Total fund balances and liabilities</b>	<b>\$ 878</b>	<b>203,558</b>
	<hr/> <hr/>	



**VILLAGE OF CAPITAN, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2012**

	Cemetery	Court	Court Escrow
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, fines	-	15,902	-
Intergovernmental	-	-	-
Interest and investment income	121	5	-
Sales	2,100	-	-
Other	-	-	801
	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	2,221	15,907	801
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	3,744	-	-
Public safety	-	15,982	-
Highways and streets	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total expenditures</b>	3,744	15,982	-
	<hr/>	<hr/>	<hr/>
(Deficiency) excess of revenues over expenditures before other financing sources	(1,523)	(75)	801
	<hr/>	<hr/>	<hr/>
Other Financing Uses			
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(1,523)	(75)	801
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	36,980	644	(704)
	<hr/>	<hr/>	<hr/>
<b>Fund balance, end of year</b>	<b>\$ 35,457</b>	<b>569</b>	<b>97</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF CAPITAN, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2012**

	Corrections	Fire Equipment	Infrastructure
Revenues			
Taxes	\$ -	-	44,529
Licenses, permits, fees, fines	6,259	-	-
Intergovernmental	-	14,258	-
Interest and investment income	196	132	181
Sales	-	-	-
Other	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	<b>6,455</b>	<b>14,390</b>	<b>44,710</b>
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	-	-	-
Public safety	360	2,231	-
Highways and streets	-	-	109,803
Debt service	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total expenditures</b>	<b>360</b>	<b>2,231</b>	<b>109,803</b>
	<hr/>	<hr/>	<hr/>
(Deficiency) excess of revenues over expenditures before other financing sources	6,095	12,159	(65,093)
	<hr/>	<hr/>	<hr/>
Other Financing Uses			
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	6,095	12,159	(65,093)
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	54,934	29,410	112,261
	<hr/>	<hr/>	<hr/>
<b>Fund balance, end of year</b>	<b>\$ 61,029</b>	<b>41,569</b>	<b>47,168</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF CAPITAN, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2012**

	Lodgers Tax	Juvenile Recreation	Law Enforcement Protection
Revenues			
Taxes	\$ 3,380	-	-
Licenses, permits, fees, fines	-	-	-
Intergovernmental	-	-	21,392
Interest and investment income	26	13	422
Sales	-	-	-
Other	-	-	-
	<hr/>		
<b>Total revenues</b>	<b>3,406</b>	<b>13</b>	<b>21,814</b>
	<hr/>		
Expenditures			
Current			
General government	7,592	-	-
Public safety	-	-	2,452
Highways and streets	-	-	-
Debt service	-	-	14,771
Capital outlay	-	-	2,992
	<hr/>		
<b>Total expenditures</b>	<b>7,592</b>	<b>-</b>	<b>20,215</b>
	<hr/>		
(Deficiency) excess of revenues over expenditures before other financing sources	(4,186)	13	1,599
	<hr/>		
Other Financing Uses			
Operating transfers out	-	-	-
	<hr/>		
Net change in fund balances	(4,186)	13	1,599
	<hr/>		
Fund balance, beginning of year	8,760	4,044	1,290
	<hr/>		
<b>Fund balance, end of year</b>	<b>\$ 4,574</b>	<b>4,057</b>	<b>2,889</b>
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2012**

	Smokey Bear Donation	Environmental Gross Receipts Tax	Emergency Watershed Protection
Revenues			
Taxes	\$ -	12,394	-
Licenses, permits, fees, fines	-	-	-
Intergovernmental	-	-	-
Interest and investment income	7	2	-
Sales	-	-	-
Other	291	-	-
<b>Total revenues</b>	<b>298</b>	<b>12,396</b>	<b>-</b>
Expenditures			
Current			
General government	-	11,710	-
Public safety	-	-	-
Highways and streets	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>11,710</b>	<b>-</b>
(Deficiency) excess of revenues over expenditures before other financing sources	298	686	-
Other Financing Uses			
Operating transfers out	-	-	(276)
Net change in fund balances	298	686	(276)
Fund balance, beginning of year	2,052	2,216	276
<b>Fund balance, end of year</b>	<b>\$ 2,350</b>	<b>2,902</b>	<b>-</b>

**VILLAGE OF CAPITAN, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2012**

	CDGB Senior Center	Total Non-major
Revenues		
Taxes	\$ -	60,303
Licenses, permits, fees, fines	-	22,161
Intergovernmental	77,628	113,278
Interest and investment income	16	1,121
Sales	-	2,100
Other	-	1,092
	<hr/>	<hr/>
<b>Total revenues</b>	<b>77,644</b>	<b>200,055</b>
	<hr/>	<hr/>
Expenditures		
Current		
General government	-	23,046
Public safety	-	21,025
Highways and streets	-	109,803
Debt service	-	14,771
Capital outlay	77,628	80,620
	<hr/>	<hr/>
<b>Total expenditures</b>	<b>77,628</b>	<b>249,265</b>
	<hr/>	<hr/>
(Deficiency) excess of revenues over expenditures before other financing sources	16	(49,210)
	<hr/>	<hr/>
Other Financing Uses		
Operating transfers out	-	(276)
	<hr/>	<hr/>
Net change in fund balances	16	(49,486)
	<hr/>	<hr/>
Fund balance, beginning of year	862	253,025
	<hr/>	<hr/>
<b>Fund balance, end of year</b>	<b>\$ 878</b>	<b>203,539</b>
	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CEMETERY**  
**Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Plot sales	\$ 2,100	2,100	2,100	-
Interest and investment income	425	425	121	(304)
<b>Total revenues</b>	<u>2,525</u>	<u>2,525</u>	<u>2,221</u>	<u>(304)</u>
Expenditures				
General government	16,400	16,400	3,744	12,656
Capital expenditures	-	-	-	-
<b>Total expenditures</b>	<u>16,400</u>	<u>16,400</u>	<u>3,744</u>	<u>12,656</u>
Net change in fund balance	(13,875)	(13,875)	(1,523)	<u>12,352</u>
Prior year cash appropriated	13,875	13,875	1,523	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**COURT**  
**Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits and fees	\$ 19,203	19,203	15,902	(3,301)
Interest and investment income	-	-	5	5
<b>Total revenues</b>	<u>19,203</u>	<u>19,203</u>	<u>15,907</u>	<u>(3,296)</u>
Expenditures				
Public safety	19,300	19,300	15,982	3,318
<b>Total expenditures</b>	<u>19,300</u>	<u>19,300</u>	<u>15,982</u>	<u>3,318</u>
Net change in fund balance	(97)	(97)	(75)	<u>22</u>
Prior year cash appropriated	97	97	75	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CORRECTIONS**  
**Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits and fees	\$ 7,000	7,000	6,259	(741)
Interest and investment income	500	500	196	(304)
<b>Total revenues</b>	<u>7,500</u>	<u>7,500</u>	<u>6,455</u>	<u>(1,045)</u>
Expenditures				
Public safety	5,200	5,200	360	4,840
<b>Total expenditures</b>	<u>5,200</u>	<u>5,200</u>	<u>360</u>	<u>4,840</u>
Net change in fund balance	\$ 2,300	2,300	6,095	3,795



**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**FIRE EQUIPMENT**  
**Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,790	4,790	14,258	9,468
Interest and investment income	-	-	132	132
<b>Total revenues</b>	<b>4,790</b>	<b>4,790</b>	<b>14,390</b>	<b>9,600</b>
Expenditures				
Public safety	4,500	4,500	2,231	2,269
<b>Total expenditures</b>	<b>4,500</b>	<b>4,500</b>	<b>2,231</b>	<b>2,269</b>
Net change in fund balance	\$ 290	290	12,159	11,869

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**INFRASTRUCTURE**  
**Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 51,000	51,000	45,143	(5,857)
Interest and investment income	750	750	181	(569)
<b>Total revenues</b>	<b>51,750</b>	<b>51,750</b>	<b>45,324</b>	<b>(6,426)</b>
<b>Expenditures</b>				
Capital outlay	72,000	114,027	109,803	4,224
<b>Total expenditures</b>	<b>72,000</b>	<b>114,027</b>	<b>109,803</b>	<b>4,224</b>
Net change in fund balance	(20,250)	(62,277)	(64,479)	<u>(2,202)</u>
Prior year cash appropriated	20,250	62,277	64,479	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Non-GAAP change in fund balance			\$ (64,479)	
Change in:				
Accounts receivable			<u>( 614 )</u>	
GAAP change in fund balance			<u>\$ (65,093)</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,700	5,700	3,380	(2,320)
Interest and investment income	67	67	26	(41)
<b>Total revenues</b>	<u>5,767</u>	<u>5,767</u>	<u>3,406</u>	<u>(2,361)</u>
Expenditures				
General government	5,700	10,200	7,592	2,608
<b>Total expenditures</b>	<u>5,700</u>	<u>10,200</u>	<u>7,592</u>	<u>2,608</u>
Net change in fund balance	<u>\$ 67</u>	<u>(4,433)</u>	<u>(4,186)</u>	<u>247</u>
Prior year cash appropriated		<u>4,433</u>	<u>4,186</u>	
		<u>-</u>	<u>-</u>	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**JUVENILE RECREATION**  
**Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Interest and investment income	\$ 43	43	13	(30)
<b>Total revenues</b>	<b>43</b>	<b>43</b>	<b>13</b>	<b>(30)</b>
Expenditures				
General government	3,000	3,000	-	3,000
<b>Total expenditures</b>	<b>3,000</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>
Net change in fund balance	(2,957)	(2,957)	13	2,970
Prior year cash appropriated	2,957	2,957		
	<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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 21,800	21,800	21,392	(408)
Interest and investment income	125	1,425	422	(1,003)
<b>Total revenues</b>	<b>21,925</b>	<b>23,225</b>	<b>21,814</b>	<b>(1,411)</b>
Expenditures				
Public safety	21,944	23,244	17,043	6,201
Debt service	-	-	180	(180)
Capital outlay	-	-	2,992	(2,992)
<b>Total expenditures</b>	<b>21,944</b>	<b>23,244</b>	<b>20,215</b>	<b>3,029</b>
Net change in fund balance	(19)	(19)	1,599	1,618
Prior year cash appropriated	19	19		
	<b>\$ -</b>	<b>-</b>		

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**SMOKEY BEAR DONATION**  
**Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Interest and investment income	\$ 374	374	7	(367)
Other	-	-	291	291
<b>Total revenues</b>	<b>374</b>	<b>374</b>	<b>298</b>	<b>(76)</b>
Expenditures				
General government	350	350	-	350
<b>Total expenditures</b>	<b>350</b>	<b>350</b>	<b>-</b>	<b>350</b>
Net change in fund balance	\$ 24	24	298	274

**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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 11,000	14,000	12,459	(1,541)
Interest and investment income	7	7	2	(5)
<b>Total revenues</b>	<u>11,007</u>	<u>14,007</u>	<u>12,461</u>	<u>(1,546)</u>
Expenditures				
General government	11,000	14,000	11,710	2,290
<b>Total expenditures</b>	<u>11,000</u>	<u>14,000</u>	<u>11,710</u>	<u>2,290</u>
Net change in fund balance	\$ 7	7	751	744
Non-GAAP change in fund balance			\$ 751	
Change in:				
Accounts receivable			<u>(65)</u>	
GAAP change in fund balance			<u>\$ 686</u>	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CDBG SENIOR CENTER**  
**Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Federal sources - grants	\$ 246,752	246,752	77,628	(169,124)
Interest and investment income	-	-	16	16
<b>Total revenues</b>	<b>246,752</b>	<b>246,752</b>	<b>77,644</b>	<b>(169,108)</b>
<b>Expenditures</b>				
Capital outlay	246,752	246,752	77,628	169,124
<b>Total expenditures</b>	<b>246,752</b>	<b>246,752</b>	<b>77,628</b>	<b>169,124</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>-</b>	<b>16</b>	<b>16</b>



**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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Sales and services	\$ 751,194	751,194	577,500	(173,694)
Lease of water rights	90,000	90,000	90,000	-
Interest and investment income	4,400	4,400	27,925	23,525
Other	9,700	9,700	3,353	(6,347)
<b>Total revenues</b>	<b>855,294</b>	<b>855,294</b>	<b>698,778</b>	<b>(156,516)</b>
<b>Expenses</b>				
Operating expense	854,284	1,029,284	822,689	206,595
Grant expenses	193,409	193,409	193,409	-
Debt payments	-	-	42,503	(42,503)
<b>Total expenses</b>	<b>1,047,693</b>	<b>1,222,693</b>	<b>1,058,601</b>	<b>164,092</b>
Excess of revenues over expenses	(192,399)	(367,399)	(359,823)	7,576
<b>Other financing sources (uses)</b>				
Transfers in - severance tax appropriation	193,409	193,409	215,737	22,328
Transfers in	-	-	276	276
Transfers out	-	-	(545,929)	(545,929)
	193,409	193,409	(329,916)	(523,325)
Net change in net assets	\$ 1,010	(173,990)	(689,739)	(515,749)
Prior year cash appropriated		173,990		
		-		
Non-GAAP change in fund balance			(689,739)	
<b>Change in:</b>				
Receivables			(31,729)	
Accrued expenses			(11,122)	
<b>Non-budgeted items:</b>				
Depreciation			(138,898)	
Capital additions			586,218	
Principal on debt payments			10,000	
GAAP change in net assets			\$ (275,270)	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**SOLID WASTE ENTERPRISE FUND**  
**Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales and services	\$ 185,000	185,000	163,227	(21,773)
Interest and investment income	660	660	104	(556)
<b>Total revenues</b>	<u>185,660</u>	<u>185,660</u>	<u>163,331</u>	<u>(22,329)</u>
Expenses				
Operating expense	<u>185,600</u>	<u>185,600</u>	<u>175,257</u>	<u>10,343</u>
Net change in net assets	<u>\$ 60</u>	<u>60</u>	<u>(11,926)</u>	<u>(11,986)</u>
Prior year cash appropriated			<u>11,926</u>	
			<u>-</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Sales	\$ 62,877	72,877	68,714	(4,163)
Interest	600	600	184	(416)
Other	-	-	11	11
<b>Total revenues</b>	<b>63,477</b>	<b>73,477</b>	<b>68,909</b>	<b>(4,568)</b>
Expenses				
Operating expense	75,731	85,731	63,820	21,911
Net change in net assets	(12,254)	(12,254)	5,089	17,343
Prior year fund balance	12,254	12,254		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			5,089	
Change in:				
Inventory			(3,288)	
Accrued expenses			591	
Non-budgeted items:				
Capital expenditures				
Depreciation			(558)	
GAAP change in net assets			<u>\$ 1,834</u>	

**VILLAGE OF CAPITAN, NEW MEXICO**  
**AGENCY FUNDS**  
**June 30, 2012**

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, 2012**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>ASSETS</b>				
Cash	\$ 87	109,948	109,339	696
<b>Total assets</b>	<u>\$ 87</u>	<u>109,948</u>	<u>109,339</u>	<u>696</u>
<b>LIABILITIES</b>				
Due to Motor Vehicles Division	\$ 87	109,948	109,339	696
<b>Total liabilities</b>	<u>\$ 87</u>	<u>109,948</u>	<u>109,339</u>	<u>696</u>

**VILLAGE OF CAPITAN**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
**June 30, 2012**

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Interest bearing checking	City Bank	General Fund	\$ 1,030,975	1,015,591
Interest bearing checking	City Bank	Smokey Bear Donation	2,350	2,350
Interest bearing checking	City Bank	Smokey Bear Enterprise	47,423	47,910
Interest bearing checking	City Bank	Water	480,490	467,116
Interest bearing checking	City Bank	Payroll	24,154	23,695
Interest bearing checking	City Bank	CDBG	879	879
Interest bearing checking	City Bank	Cemetery	35,457	35,457
Interest bearing checking	City Bank	Court Escrow	117	116
Interest bearing checking	City Bank	Court	833	569
Interest bearing checking	City Bank	Correction	61,029	61,029
Interest bearing checking	City Bank	Fire Equipment	41,569	41,569
Interest bearing checking	City Bank	Fire Department	212,978	208,713
Interest bearing checking	City Bank	Infrastructure	38,622	40,115
Interest bearing checking	City Bank	Lodger's tax	4,574	4,574
Interest bearing checking	City Bank	Juvenile recreation	4,057	4,057
Interest bearing checking	City Bank	Law enforcement protection	2,888	2,888
Interest bearing checking	City Bank	Solid Waste	32,548	18,743
Interest bearing checking	City Bank	Environmental gross receipts tax	218	965
Interest bearing checking	City Bank	Water security	30,904	30,654
Interest bearing checking	Washington Fed.	General Fund	2,307	2,307
CD	Washington Fed.	CD - Water	402,019	402,019
CD	Washington Fed.	CD - General Fund	502,725	502,725
	Total cash and cash equivalents - non-agency funds		2,959,116	2,914,041
	Petty Cash	Water	-	300
	Total cash and cash equivalents - non-agency funds		2,959,116	2,914,341
Local govt. inv. pool	NM State Treasurer	General Fund	8,489	8,489
Local govt. inv. pool	NM State Treasurer	Water Fund	2,224	2,224
Local govt. inv. pool	NM State Treasurer	Reserve Contingency - General Fund	253	253
Local govt. inv. pool	NM State Treasurer	Reserve Contingency - Water Fund	66	66
Interest bearing checking	BNY Mellon	NMFA Debt Svc - Police Vehicle	1	1
			11,033	11,033
	<b>Total deposit and investment accounts - non-agency</b>		<b>\$ 2,970,149</b>	<b>2,925,374</b>
	Agency funds cash accounts			
Checking	City Bank	MVD	\$ 496	496
	Total cash and cash equivalents - agency funds			
	Petty Cash	MVD Clerk	-	200
	<b>Total cash - agency funds</b>		<b>\$ 496</b>	<b>696</b>

**VILLAGE OF CAPITAN, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2012**

	City Bank	Washington Federal	Total
Deposits at June 30, 2012	\$ 2,052,561	907,051	2,959,612
Less: FDIC coverage	250,000	252,307	502,307
Uninsured public funds	1,802,561	654,744	2,457,305
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	2,100,000	1,179,488	3,279,488
Uninsured and uncollateralized	\$ -	-	-
50% pledged collateral requirement per statute	\$ 901,281	327,372	1,228,653
Total pledged collateral	2,100,000	1,179,488	3,279,488
Pledged collateral over the requirement	\$ (1,198,720)	(852,116)	(2,050,836)

Pledged collateral at June 30, 2012 consists of the following:

Security	CUSIP	Maturity	Market Value	Market Value	Market Value
FHLB Letter of Credit	NA	NA	\$ 1,600,000	-	1,600,000
FHLB Letter of Credit	NA	NA	500,000	-	500,000
FHLB Agency Bond	312942XR1	10/1/2040	-	1,179,488	1,179,488
			\$ 2,100,000	1,179,488	3,279,488

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

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

# 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, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Village of Capitan (Village), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective 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 Housing and Urban Development, 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 2, 2012

**VILLAGE OF CAPITAN, NEW MEXICO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2012**

None

**VILLAGE OF CAPITAN, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2012**

None

**VILLAGE OF CAPITAN, NEW MEXICO  
EXIT CONFERENCE  
Year Ended June 30, 2012**

An exit conference was held on November 13, 2012, and attended by the following:

Village of Capitan, New Mexico

Sammy L. Hammons, Mayor  
Kay Strickland, Village Clerk  
Shirley Pavlovic, Deputy Clerk/Finance Officer  
Dennis Haskell, Trustee

Porch & Associates LLC

Thad Porch, Partner

\* \* \* \* \*

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