

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF CAPITAN, NEW MEXICO

**Financial Statements, Supplementary Information
and
Independent Auditor's Report**

June 30, 2013

VILLAGE OF CAPITAN, NEW MEXICO

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VILLAGE OF CAPITAN, NEW MEXICO

List of Principal Officials

June 30, 2013

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 Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Capitan, New Mexico (Village), as of and for the year ended June 30, 2013, and the related notes to the financial statements, 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, nonmajor enterprise funds, and the budgetary comparisons for the major enterprise funds and nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of Capitan, New Mexico, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended June 30, 2013, in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and nonmajor enterprise fund of the Village as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major enterprise funds and nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis, that accounting principles generally accepted in the United States of America require 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions the Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedules listed as supplemental schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government auditing standards*, we have also issued our report dated November 8, 2013 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 *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Perch & Associates LLC

Albuquerque, New Mexico
November 8, 2013

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 2,263,805	1,143,821	3,407,626
Receivables			
Accounts receivable, net of allowance	-	56,034	56,034
Taxes	93,350	-	93,350
Grants	4,812	-	4,812
Inventory	-	8,642	8,642
Capital assets, not depreciated	121,175	4,059,132	4,180,307
Capital assets, net of accumulated depreciation	4,849,015	3,401,727	8,250,742
	<hr/>		
Total assets	7,332,157	8,669,356	16,001,513
	<hr/>		
LIABILITIES			
Accounts payable	-	20,657	20,657
Sales tax payable	-	4,419	4,419
Accrued compensation and benefits	33,304	6,665	39,969
Interest payable	-	14,658	14,658
Deposits payable	-	28,240	28,240
Compensated absences, due in one year	20,543	6,748	27,291
Long-term liabilities, due in one year	-	17,071	17,071
Long-term liabilities, due in more than one year	-	790,003	790,003
	<hr/>		
Total liabilities	53,847	888,461	942,308
	<hr/>		
NET POSITION			
Net investments in capital assets	4,970,190	6,653,785	11,623,975
Restricted for:			
Inventory	-	8,642	8,642
Unrestricted	2,308,120	1,118,468	3,426,588
	<hr/>		
Total net position	\$ 7,278,310	7,780,895	15,059,205
	<hr/>		

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

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

<u>Functions/Programs</u>	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 312,150	6,748	171,074	99,536	(34,792)	-	(34,792)
Public safety	500,382	5,508	176,382	-	(318,492)	-	(318,492)
Highways and streets	343,330	-	-	-	(343,330)	-	(343,330)
Total governmental activities	<u>1,155,862</u>	<u>12,256</u>	<u>347,456</u>	<u>99,536</u>	<u>(696,614)</u>	<u>-</u>	<u>(696,614)</u>
Business-type activities							
Utility Water and Sewer	656,794	587,661	-	-	-	(69,133)	(69,133)
Solid Waste	173,957	169,163	-	-	-	(4,794)	(4,794)
Smokey Bear Enterprise	41,292	44,956	-	-	-	3,664	3,664
Total business-type activities	<u>872,043</u>	<u>801,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,263)</u>	<u>(70,263)</u>
Total primary government	<u>\$ 2,027,905</u>	<u>814,036</u>	<u>347,456</u>	<u>99,536</u>	<u>(696,614)</u>	<u>(70,263)</u>	<u>(766,877)</u>
General Revenues							
Franchise taxes					39,130	-	39,130
Gasoline taxes					16,855	-	16,855
Gross receipts taxes					488,148	-	488,148
Property taxes					73,250	-	73,250
Lodgers taxes					4,562	-	4,562
Interest and investment earnings					11,644	3,919	15,563
Lease of water rights					-	90,000	90,000
Transfers in: Severance tax appropriation					-	135,918	135,918
Other					40,617	7,001	47,618
Total general revenues					<u>674,206</u>	<u>236,838</u>	<u>911,044</u>
Change in net position					<u>(22,408)</u>	<u>166,575</u>	<u>144,167</u>
Net position, beginning					7,301,384	7,614,320	14,915,704
Restatement					(666)	-	(666)
Net position, beginning, as restated					<u>7,300,718</u>	<u>7,614,320</u>	<u>14,915,038</u>
Net position, ending					<u>\$ 7,278,310</u>	<u>7,780,895</u>	<u>15,059,205</u>

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

**VILLAGE OF CAPITAN, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Fire Protection	Nonmajor Governmental Funds	Total
ASSETS				
Cash and investments	\$ 1,716,850	312,420	234,535	2,263,805
Receivables				
Taxes				
Property	2,605	-	-	2,605
Gross receipts	76,262	-	3,096	79,358
Gas	-	-	3,763	3,763
Motor vehicle	477	-	-	477
Franchise	7,147	-	-	7,147
Grants	4,812	-	-	4,812
Total assets	\$ 1,808,153	312,420	241,394	2,361,967
LIABILITIES				
Accrued compensation and benefits	\$ 33,304	-	-	33,304
Deferred revenue	54,725	-	-	54,725
Total liabilities	88,029	-	-	88,029
FUND BALANCES				
Restricted for:				
Special revenue funds	-	312,420	184,144	496,564
Capital projects funds	-	-	888	888
Committed to:				
Special revenue funds	-	-	48,477	48,477
Assigned to:				
Special revenue funds	-	-	7,885	7,885
Unassigned:				
General fund	1,720,124	-	-	1,720,124
Total fund balances	1,720,124	312,420	241,394	2,273,938
Total liabilities and fund balances	\$ 1,808,153	312,420	241,394	2,361,967

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 POSITION
June 30, 2013**

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

Total fund balance - governmental funds	\$ 2,273,938
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method	54,725
Accrued compensated absences not payable from current revenues	(20,543)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>4,970,190</u>
Net position - governmental activities	<u><u>\$ 7,278,310</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, 2013

	General	Fire Protection	Nonmajor Governmental Funds	Total
Revenues				
Taxes	\$ 567,249	-	54,696	621,945
Licenses, permits, fees, fines	10,090	-	2,116	12,206
Federal sources:				
Grant	41,895	-	-	41,895
Non-federal sources:				
Intergovernmental	228,715	145,422	29,318	403,455
Interest and investment income	9,750	1,048	846	11,644
Sales	-	-	50	50
Other	35,000	-	5,617	40,617
Total revenues	892,699	146,470	92,643	1,131,812
Expenditures				
Current				
General government	245,422	-	16,380	261,802
Public safety	304,444	42,763	17,574	364,781
Highways and streets	188,579	-	6,444	195,023
Debt service	-	-	6,923	6,923
Capital outlay	82,418	-	6,801	89,219
Total expenditures	820,863	42,763	54,122	917,748
Net change in fund balances	71,836	103,707	38,521	214,064
Fund balance, beginning of year	1,648,288	208,713	203,539	2,060,540
Restatement	-	-	(666)	(666)
Fund balance, beginning of year, as restated	1,648,288	208,713	202,873	2,059,874
Fund balance, end of year	\$ 1,720,124	312,420	241,394	2,273,938

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, 2013**

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

Net changes in fund balances - governmental funds **\$ 214,064**

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	(347,080)	
Capital outlay	195,184	
Trade in value gain deferred into asset basis	(94,174)	
Excess of capital outlay over depreciation expense	(246,070)	(246,070)

Deferred revenue is recorded as income under the accrual method, and not the modified accrual method 1,642

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. 1,134

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 6,822

Change in net position - governmental activities **\$ (22,408)**

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 554,466	554,466	606,288	51,822
Licenses, permits, fees and fines	7,151	7,151	10,090	2,939
Intergovernmental	259,000	259,000	186,820	(72,180)
Interest and investment income	1,200	1,200	9,750	8,550
Grants	186,933	544,276	138,023	(406,253)
Other	46,060	87,955	35,000	(52,955)
Total revenues	1,054,810	1,454,048	985,971	(468,077)
Expenditures				
General government	244,223	272,024	246,742	25,282
Public safety	286,459	288,459	304,444	(15,985)
Highways and streets	303,775	792,286	188,579	603,707
Capital outlay	102,592	130,700	82,418	48,282
Total expenditures	937,049	1,483,469	822,183	661,286
Excess (deficiency) of revenues over expenditures	117,761	(29,421)	163,788	193,209
Net change in fund balance	<u>\$ 117,761</u>	<u>(29,421)</u>	<u>163,788</u>	<u>193,209</u>
Prior year cash appropriated		<u>29,421</u>		
		<u>-</u>		
Non-GAAP change in fund balance			\$ 163,788	
Change from:				
Receivables			(91,632)	
Accounts payable			5,203	
Accrued compensation and benefits			(3,883)	
Deferred revenue			(1,640)	
GAAP change in fund balance			<u>\$ 71,836</u>	

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

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 117,168	157,048	145,422	(11,626)
Interest and investment income	675	675	1,048	373
Total revenues	117,843	157,723	146,470	(11,253)
Expenditures				
Public safety	314,984	354,864	42,763	312,101
Total expenditures	314,984	354,864	42,763	312,101
Net change in fund balance	(197,141)	(197,141)	103,707	300,848
Prior year cash appropriated	197,141	197,141		
	<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, 2013

ASSETS	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Current Assets				
Cash and investments	\$ 1,066,606	24,482	52,733	1,143,821
Accounts receivable, net of allowance	37,799	18,235	-	56,034
Inventory	-	-	8,642	8,642
Total current assets	1,104,405	42,717	61,375	1,208,497
Capital Assets				
Land and water rights	4,059,132	-	-	4,059,132
Plant and equipment	6,672,508	-	1,691	6,674,199
Buildings and improvements	142,098	-	34,875	176,973
Vehicles	189,214	-	-	189,214
Accumulated depreciation	(3,605,181)	-	(33,478)	(3,638,659)
Total capital assets, net	7,457,771	-	3,088	7,460,859
Total assets	\$ 8,562,176	42,717	64,463	8,669,356
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	\$ 6,820	13,837	-	20,657
Sales tax payable	3,895	-	524	4,419
Accrued compensation and benefits	5,733	-	932	6,665
Interest payable	14,658	-	-	14,658
Deposits payable	28,240	-	-	28,240
Compensated absences, current portion	6,397	-	351	6,748
Loans payable, current portion	7,771	-	-	7,771
Bonds payable, current portion	9,300	-	-	9,300
Total current liabilities	82,814	13,837	1,807	98,458
Long-Term Liabilities				
Loans payable	187,417	-	-	187,417
Bonds payable	602,586	-	-	602,586
Total long-term liabilities	790,003	-	-	790,003
Total liabilities	872,817	13,837	1,807	888,461
Net Position:				
Net investment in capital assets	6,650,697	-	3,088	6,653,785
Restricted for inventory	-	-	8,642	8,642
Unrestricted	1,038,662	28,880	50,926	1,118,468
Total net position	7,689,359	28,880	62,656	7,780,895
Total liabilities and net position	\$ 8,562,176	42,717	64,463	8,669,356

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
POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating Revenues				
Sales and services	\$ 587,661	169,163	44,956	801,780
Operating Expenses				
Operating expenses	452,587	173,957	40,928	667,472
Depreciation	169,996	-	364	170,360
Total operating expenses	622,583	173,957	41,292	837,832
Operating (Loss) Income	(34,922)	(4,794)	3,664	(36,052)
Nonoperating Revenues (Expenses)				
Other	6,998	-	3	7,001
Lease of water rights	90,000	-	-	90,000
Interest income	3,649	108	162	3,919
Interest expense	(34,211)	-	-	(34,211)
Transfers in - severance tax appropriation	135,918	-	-	135,918
Total nonoperating revenues (expenses)	202,354	108	165	202,627
Change in net position	167,432	(4,686)	3,829	166,575
Net position, beginning of year	7,521,927	33,566	58,827	7,614,320
Net position, end of year	\$ 7,689,359	28,880	62,656	7,780,895

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, 2013

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Cash Flows From Operating Activities				
Cash received from customers	\$ 598,005	165,751	44,956	808,712
Cash payments to vendors and employees	(446,857)	(160,120)	(40,298)	(647,275)
Net cash provided by operating activities	151,148	5,631	4,658	161,437
Cash Flows From Noncapital and Related Financing Activities				
Other income	6,998	-	3	7,001
Net cash provided by noncapital financing activities	6,998	-	3	7,001
Cash Flows From Capital and Related Financing Activities				
Principal payment on bonds	(9,100)	-	-	(9,100)
Principal payment on loans	(7,545)	-	-	(7,545)
Interest payment on bonds and loans	(34,211)	-	-	(34,211)
Tsf in - severance tax appropriation	135,918	-	-	135,918
Purchase of capital assets	(172,630)	-	-	(172,630)
Net cash used by capital and related financing activities	(87,568)	-	-	(87,568)
Cash Flows From Investing Activities				
Interest received on investments	3,649	108	162	3,919
Sale of water rights	90,000	-	-	90,000
Net cash provided by investing activities	93,649	108	162	93,919
Net change in cash	164,227	5,739	4,823	174,789
Cash, beginning of year	902,379	18,743	47,910	969,032
Cash, end of year	\$ 1,066,606	24,482	52,733	1,143,821

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, 2013

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating (loss) income	\$ (34,922)	(4,794)	3,664	(36,052)
Adjustments to reconcile operating income to net cash flows				
Depreciation expense	169,996	-	364	170,360
Changes in assets and liabilities				
Accounts receivable	10,344	(3,412)	-	6,932
Inventory	-	-	5,662	5,662
Accounts payable	6,820	13,837	-	20,657
Accrued expenses	(1,090)	-	(5,032)	(6,122)
Net cash provided by operating activities	<u>\$ 151,148</u>	<u>5,631</u>	<u>4,658</u>	<u>161,437</u>

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

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS
June 30, 2013

ASSETS

Cash	\$ 1,388
Total assets	<u>\$ 1,388</u>

LIABILITIES

Due to other entities	\$ 1,388
Total liabilities	<u>\$ 1,388</u>

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013.

The government-wide financial statements (i.e., the Statement of Net Position 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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

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.

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

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, 2013**

**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, 2013

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. Capital Assets

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Capital Assets (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, 2013

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

The Village follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides 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, 2013**

**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 \$312,420 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 Smokey Bear Donation and Fire 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 Position 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, 2013

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 position are limited to outside third-party restrictions. Fund equity and net position 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 Position

Net position represent the difference between assets and liabilities. Net investment in capital assets 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 investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on asset 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, 2013

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 fire donation and CDBG senior center 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, 2013

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

N. Implementation of New Accounting Standards

During the year ended June 30, 2013, the Village adopted Government Accounting Standards Board Statement (GASB) No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The statement will not have a material impact on the Village's financial statements.

During the year ended June 30, 2013, the Village adopted Government Accounting Standards Board Statement (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position*. 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, 2013, the Village's bank balance total of \$3,445,168 was exposed to credit risk in the amount of \$2,942,858 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 2,942,858</u>
Uninsured and uncollateralized	<u>\$ 24,421</u>

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The total balance in any single financial institution may at times exceed the \$250,000 in FDIC coverage available to individual depositors. The Village is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account. 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.

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.

The State Treasurers office has placed \$319 of the Village's LGIP investment into a contingency account which may not be accessed 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 auditor's report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditor's report on compliance and internal controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk – The LGIP’s policy is to invest in securities with an average maturity of less than 182 days, or a 0.5 yearly average term. The LGIP’s weighted average maturity at June 30, 2013 was 59 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.

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, 2013:

Accounts receivable	\$ 87,534
Allowance for uncollectible accounts	<u>(31,500)</u>
Accounts receivable, net	<u>\$ 56,034</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 121,175	-	-	121,175
Total, not depreciated	\$ 121,175	-	-	121,175
Capital assets, depreciated				
Buildings	\$ 1,224,903	-	-	1,224,903
Vehicles	1,649,141	138,490	(226,018)	1,561,613
Machinery and equipment	219,791	-	-	219,791
Infrastructure	4,644,669	56,694	-	4,701,363
Total, depreciated	7,738,504	195,184	(226,018)	7,707,670
Accumulated depreciation for:				
Buildings	348,845	40,165	-	389,010
Vehicles	1,366,568	106,963	(131,844)	1,341,687
Machinery and equipment	172,478	12,842	-	185,320
Infrastructure	755,528	187,110	-	942,638
Total accumulated depreciation	2,643,419	347,080	(131,844)	2,858,655
Total capital assets, depreciated, net	\$ 5,095,085	(151,896)	(94,174)	4,849,015
Business-type Activities				
Capital assets, not depreciated				
Land and water rights	\$ 4,059,132	-	-	4,059,132
Total, not depreciated	\$ 4,059,132	-	-	4,059,132
Capital assets, depreciated				
Plant and equipment	\$ 6,520,162	154,037	-	6,674,199
Buildings and improvements	176,973	-	-	176,973
Vehicles	170,621	18,593	-	189,214
Total, depreciated	6,867,756	172,630	-	7,040,386
Total accumulated depreciation	3,468,299	170,360	-	3,638,659
Total capital assets, depreciated, net	\$ 3,399,457	2,270	-	3,401,727

The remaining asset value of \$94,174 from the disposal of assets was used as a trade in allowance on new equipment. Therefore, no loss is recognized in the financial statements.

**VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 4. CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General Government	\$ 63,273
Public Safety	135,500
Highway and Streets	<u>148,307</u>
Total depreciation expense	<u>\$ 347,080</u>

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2013, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans payable	\$ 6,822	-	(6,822)	-	-
Compensated absences	<u>21,677</u>	<u>20,543</u>	<u>(21,677)</u>	<u>20,543</u>	<u>20,543</u>
Total	<u>\$ 28,499</u>	<u>20,543</u>	<u>(28,499)</u>	<u>20,543</u>	<u>20,543</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, 2013. The notes were paid off during the current year.

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, 2013

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2013, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Bonds payable	\$ 621,086	-	(9,200)	611,886	9,300
Loans payable	202,733	-	(7,545)	195,188	7,771
Compensated absences	<u>6,375</u>	<u>6,397</u>	<u>(6,375)</u>	<u>6,397</u>	<u>6,397</u>
Total	<u>\$ 830,194</u>	<u>6,397</u>	<u>(23,120)</u>	<u>813,471</u>	<u>23,468</u>

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

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

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

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

The future requirements are as follows:

1977 Sewer System Bonds

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,000	100	1,100
2015	<u>1,000</u>	<u>50</u>	<u>1,050</u>
	<u>\$ 2,000</u>	<u>150</u>	<u>2,150</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS (CONTINUED)

Water System Improvement Bond, Series - 2001

Year Ending June 30	Principal	Interest	Total
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	10,000	18,516	28,516
2019 to 2023	50,000	85,455	135,455
2024 to 2028	60,000	73,342	133,342
2029 to 2033	75,000	56,954	131,954
2034 to 2038	100,000	36,765	136,765
2039 to 2042	94,800	10,888	105,688
	<u>\$ 414,800</u>	<u>359,308</u>	<u>774,108</u>

Water System Improvement Bond, Series - 2002

Year Ending June 30	Principal	Interest	Total
2014	\$ 3,300	9,267	12,567
2015	3,400	9,110	12,510
2016	3,600	8,948	12,548
2017	3,700	8,777	12,477
2018	3,900	8,602	12,502
2019 to 2023	22,600	40,039	62,639
2024 to 2028	28,500	34,135	62,635
2029 to 2033	35,900	26,696	62,596
2034 to 2038	45,300	17,315	62,615
2039 to 2042	44,886	5,469	50,355
	<u>\$ 195,086</u>	<u>168,358</u>	<u>363,444</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6. 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
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	8,747	4,880	13,627
2019 to 2023	47,830	20,305	68,135
2024 to 2028	55,448	12,687	68,135
2029 to 2032	50,652	3,856	54,508
	<u>\$ 195,188</u>	<u>63,725</u>	<u>258,913</u>

NOTE 7. 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 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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, 2013, 2012, and 2011 was \$8,165, \$7,706 and \$7,486, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 9. PENSION PLAN AND DEFERRED COMPENSATION PLAN

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

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

NOTE 10. RETIREE HEALTH CARE ACT

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

**VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 11. 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 12. 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.

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

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 13. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 8, 2013, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2013.

NOTE 14. RESTATEMENT

The Village reported the court fund and court escrow fund as special revenue funds in the year ending June 30, 2012. The funds were moved to agency funds in the current year to properly reflect the character of the transactions in each fund. The net asset for the two funds at June 30, 2012 was \$666 and has been reclassified to agency funds in the current year. The change was shown as a restatement in the current year.

VILLAGE OF CAPITAN, NEW MEXICO
NON-MAJOR FUNDS
June 30, 2013

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.

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.

Fire Donations. To account for donations to the Fire Department. The fund was established by Village management.

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, 2013

	Cemetery	Corrections	Fire Equipment
ASSETS			
Cash and investments	\$ 35,624	63,349	48,477
Receivables			
Gross receipts	-	-	-
Gas	-	-	-
Total assets	\$ 35,624	63,349	48,477
LIABILITIES			
Total liabilities	\$ -	-	-
FUND BALANCES			
Restricted for:			
Special revenue funds	35,624	63,349	-
Capital project funds	-	-	-
Committed to special revenue funds	-	-	48,477
Assigned to special revenue funds	-	-	-
Total fund balances	35,624	63,349	48,477
Total fund balances and liabilities	\$ 35,624	63,349	48,477

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2013**

	Infrastructure	Lodgers Tax	Juvenile Recreation
ASSETS			
Cash and investments	\$ 68,145	4,676	4,070
Receivables			
Gross receipts	1,214	-	
Gas	3,763	-	
	<hr/>		
Total assets	\$ 73,122	4,676	4,070
	<hr/> <hr/>		
LIABILITIES			
Total liabilities	-	-	-
	<hr/> <hr/>		
FUND BALANCES			
Restricted for:			
Special revenue funds	73,122	4,676	4,070
Capital project funds	-	-	-
Committed to special revenue funds	-	-	-
Assigned to special revenue funds	-	-	-
	<hr/>		
Total fund balances	73,122	4,676	4,070
	<hr/> <hr/>		
Total fund balances and liabilities	\$ 73,122	4,676	4,070
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2013**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
ASSETS			
Cash and investments	\$ 1,202	2,358	219
Receivables			
Gross receipts	-	-	1,882
Gas	-	-	-
Total assets	\$ 1,202	2,358	2,101
LIABILITIES			
Total liabilities	-	-	-
FUND BALANCES			
Restricted for:			
Special revenue funds	1,202	-	2,101
Capital project funds	-	-	-
Committed to special revenue funds	-	-	-
Assigned to special revenue funds	-	2,358	-
Total fund balances	1,202	2,358	2,101
Total fund balances and liabilities	\$ 1,202	2,358	2,101

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2013**

	Fire Donation	CDBG Senior Center	Total Non-major
ASSETS			
Cash and investments	\$ 5,527	888	234,535
Receivables			
Gross receipts	-	-	3,096
Gas	-	-	3,763
	<hr/>		
Total assets	\$ 5,527	888	241,394
	<hr/> <hr/>		
LIABILITIES			
Total liabilities	-	-	-
	<hr/> <hr/>		
FUND BALANCES			
Restricted for:			
Special revenue funds	-	-	184,144
Capital project funds	-	888	888
Committed to special revenue funds	-	-	48,477
Assigned to special revenue funds	5,527	-	7,885
	<hr/>		
Total fund balances	5,527	888	241,394
	<hr/> <hr/>		
Total fund balances and liabilities	\$ 5,527	888	241,394
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2013**

	Cemetery	Corrections	Fire Equipment
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, fines	-	2,116	-
Intergovernmental	-	-	7,618
Interest and investment income	117	204	155
Sales	50	-	-
Other	-	-	100
	<hr/>		
Total revenues	167	2,320	7,873
	<hr/>		
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	965
Highways and streets	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
	<hr/>		
Total expenditures	-	-	965
	<hr/>		
Net change in fund balances	167	2,320	6,908
	<hr/>		
Fund balance, beginning of year	35,457	61,029	41,569
	<hr/>		
Fund balance, end of year	\$ 35,624	63,349	48,477
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2013**

	Infrastructure	Lodgers Tax	Juvenile Recreation
Revenues			
Taxes	\$ 39,042	4,562	-
Licenses, permits, fees, fines	-	-	-
Intergovernmental	-	-	-
Interest and investment income	157	25	13
Sales	-	-	-
Other	-	-	-
	<hr/>		
Total revenues	39,199	4,587	13
	<hr/>		
Expenditures			
Current			
General government	-	4,485	-
Public safety	-	-	-
Highways and streets	6,444	-	-
Debt service	-	-	-
Capital outlay	6,801	-	-
	<hr/>		
Total expenditures	13,245	4,485	-
	<hr/>		
Net change in fund balances	25,954	102	13
	<hr/>		
Fund balance, beginning of year	47,168	4,574	4,057
	<hr/>		
Fund balance, end of year	\$ 73,122	4,676	4,070
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2013**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
Revenues			
Taxes	\$ -	-	11,092
Licenses, permits, fees, fines	-	-	-
Intergovernmental	21,700	-	-
Interest and investment income	145	8	2
Sales	-	-	-
Other	-	-	-
Total revenues	21,845	8	11,094
Expenditures			
Current			
General government	-	-	11,895
Public safety	16,609	-	-
Highways and streets	-	-	-
Debt service	6,923	-	-
Capital outlay	-	-	-
Total expenditures	23,532	-	11,895
Net change in fund balances	(1,687)	8	(801)
Fund balance, beginning of year	2,889	2,350	2,902
Fund balance, end of year	\$ 1,202	2,358	2,101

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2013**

	Fire Donation	CDBG Senior Center	Total Non-major
Revenues			
Taxes	\$ -	-	54,696
Licenses, permits, fees, fines	-	-	2,116
Intergovernmental	-	-	29,318
Interest and investment income	10	10	846
Sales	-	-	50
Other	5,517	-	5,617
	<hr/>		
Total revenues	5,527	10	92,643
	<hr/>		
Expenditures			
Current			
General government	-	-	16,380
Public safety	-	-	17,574
Highways and streets	-	-	6,444
Debt service	-	-	6,923
Capital outlay	-	-	6,801
	<hr/>		
Total expenditures	-	-	54,122
	<hr/>		
Net change in fund balances	5,527	10	38,521
	<hr/>		
Fund balance, beginning of year	-	878	202,873
	<hr/>		
Fund balance, end of year	\$ 5,527	888	241,394
	<hr/> <hr/>		

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CEMETERY
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Plot sales	\$ 2,100	2,100	50	(2,050)
Interest and investment income	100	100	117	17
Total revenues	2,200	2,200	167	(2,033)
Expenditures				
General government	12,690	12,690	-	12,690
Total expenditures	12,690	12,690	-	12,690
Net change in fund balance	(10,490)	(10,490)	167	10,657
Prior year cash appropriated	10,490	10,490		
	\$ -	-		

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees, fines	\$ 7,440	7,440	2,116	(5,324)
Interest and investment income	155	155	204	49
Total revenues	7,595	7,595	2,320	(5,275)
Expenditures				
Public safety	5,200	5,200	-	5,200
Total expenditures	5,200	5,200	-	5,200
Net change in fund balance	\$ 2,395	2,395	2,320	(75)

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE EQUIPMENT
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 15,120	15,120	7,618	(7,502)
Interest and investment income	-	-	155	155
Other	-	-	100	100
Total revenues	15,120	15,120	7,873	(7,247)
Expenditures				
Public safety	15,000	15,000	965	14,035
Total expenditures	15,000	15,000	965	14,035
Net change in fund balance	\$ 120	120	6,908	6,788

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
INFRASTRUCTURE
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 45,000	45,000	41,118	(3,882)
Interest and investment income	190	190	157	(33)
Total revenues	45,190	45,190	41,275	(3,915)
Expenditures				
Highways and streets	-	-	6,444	(6,444)
Capital outlay	50,000	50,000	6,801	43,199
Total expenditures	50,000	50,000	13,245	36,755
Net change in fund balance	(4,810)	(4,810)	28,030	32,840
Prior year cash appropriated	4,810	4,810		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ 28,030	
Change from:				
Accounts receivable			<u>(2,076)</u>	
GAAP change in fund balance			<u>\$ 25,954</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,000	6,000	4,562	(1,438)
Interest and investment income	25	25	25	-
Total revenues	<u>6,025</u>	<u>6,025</u>	<u>4,587</u>	<u>(1,438)</u>
Expenditures				
General government	8,000	8,000	4,485	3,515
Total expenditures	<u>8,000</u>	<u>8,000</u>	<u>4,485</u>	<u>3,515</u>
Net change in fund balance	(1,975)	(1,975)	102	2,077
Prior year cash appropriated	1,975	1,975		
	<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, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest and investment income	\$ 15	15	13	(2)
Total revenues	<u>15</u>	<u>15</u>	<u>13</u>	<u>(2)</u>
Expenditures				
General government	3,000	3,000	-	3,000
Total expenditures	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Net change in fund balance	(2,985)	(2,985)	<u>13</u>	<u>2,998</u>
Prior year cash appropriated	<u>2,985</u>	<u>2,985</u>		
	<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, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 21,800	21,800	21,700	(100)
Interest and investment income	15	15	145	130
Total revenues	<u>21,815</u>	<u>21,815</u>	<u>21,845</u>	<u>30</u>
Expenditures				
Public safety	21,800	24,800	16,609	8,191
Debt service	-	-	6,923	(6,923)
Total expenditures	<u>21,800</u>	<u>24,800</u>	<u>23,532</u>	<u>1,268</u>
Net change in fund balance	<u>\$ 15</u>	(2,985)	(1,687)	<u>1,298</u>
Prior year cash appropriated		<u>2,985</u>	<u>1,687</u>	
		<u>-</u>	<u>-</u>	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SMOKEY BEAR DONATION
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest and investment income	\$ 208	208	8	(200)
Total revenues	<u>208</u>	<u>208</u>	<u>8</u>	<u>(200)</u>
Expenditures				
General government	2,000	2,000	-	2,000
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Net change in fund balance	(1,792)	(1,792)	<u>8</u>	<u>1,800</u>
Prior year cash appropriated	<u>1,792</u>	<u>1,792</u>		
	<u>\$ -</u>	<u>-</u>		

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
ENVIRONMENTAL GROSS RECEIPTS TAX
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 12,300	17,300	11,148	(6,152)
Interest and investment income	5	5	2	(3)
Total revenues	<u>12,305</u>	<u>17,305</u>	<u>11,150</u>	<u>(6,155)</u>
Expenditures				
General government	12,300	17,300	11,895	5,405
Total expenditures	<u>12,300</u>	<u>17,300</u>	<u>11,895</u>	<u>5,405</u>
Net change in fund balance	<u>\$ 5</u>	<u>5</u>	<u>(745)</u>	<u>(750)</u>
Prior year cash appropriated			<u>745</u>	
			<u>-</u>	
Non-GAAP change in fund balance			\$ (745)	
Change from:				
Accounts receivable			<u>(56)</u>	
GAAP change in fund balance			<u>\$ (801)</u>	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
UTILITY WATER AND SEWER ENTERPRISE FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Sales and services	\$ 535,340	535,340	598,005	62,665
Lease of water rights	90,000	90,000	90,000	-
Interest and investment income	2,229	2,229	3,649	1,420
Other	3,600	36,000	6,998	(29,002)
Total revenues	631,169	663,569	698,652	35,083
Expenses				
Operating expense	580,998	580,998	483,469	97,529
Grant expenses	355,000	1,141,397	135,918	1,005,479
Debt payments	52,237	52,237	50,856	1,381
Total expenses	988,235	1,774,632	670,243	1,104,389
Excess of revenues over expenses	(357,066)	(1,111,063)	28,409	1,139,472
Nonoperating revenues				
Transfers in - severance tax appropriation	355,000	994,325	135,918	(858,407)
	355,000	994,325	135,918	(858,407)
Net change in net position	(2,066)	(116,738)	164,327	281,065
Prior year cash appropriated	2,066	116,738		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			164,327	
Change from:				
Receivables			(10,344)	
Accounts payable			(6,820)	
Accrued expenses			990	
Non-budgeted items:				
Depreciation			(169,996)	
Capital additions			172,630	
Principal on debt payments			16,645	
GAAP change in net position			<u>\$ 167,432</u>	

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, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Sales and services	\$ 185,000	185,000	169,163	(15,837)
Interest and investment income	107	107	108	1
Total revenues	<u>185,107</u>	<u>185,107</u>	<u>169,271</u>	<u>(15,836)</u>
Expenses				
Operating expense	<u>185,100</u>	<u>185,100</u>	<u>173,957</u>	<u>11,143</u>
Net change in net position	<u>\$ 7</u>	<u>7</u>	<u>(4,686)</u>	<u>(4,693)</u>
Prior year cash appropriated			<u>4,686</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, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Sales	\$ 65,025	65,025	44,956	(20,069)
Interest	162	162	162	-
Other	-	-	3	3
Total revenues	<u>65,187</u>	<u>65,187</u>	<u>45,121</u>	<u>(20,066)</u>
Expenses				
Operating expense	<u>70,768</u>	<u>70,768</u>	<u>40,298</u>	<u>30,470</u>
Net change in net position	(5,581)	(5,581)	<u>4,823</u>	<u>10,404</u>
Prior year fund balance	<u>5,581</u>	<u>5,581</u>		
	<u>\$ -</u>	<u>-</u>		
 Non-GAAP change in fund balance			 4,823	
 Change from:				
Inventory			(5,662)	
Accrued expenses			5,032	
Non-budgeted items:				
Depreciation			<u>(364)</u>	
 GAAP change in net position			 <u>\$ 3,829</u>	

VILLAGE OF CAPITAN, NEW MEXICO
AGENCY FUNDS
June 30, 2013

Municipal Judge's Fund. To account for the receipt and disbursement of money collected through the Municipal Judicial System and held for payment to various other state and local governmental agencies.

Municipal Judge's Bond Fund. To account for the receipt and disbursement of bond funds collected through the Municipal Judicial System and held for refund or conversion to pay fines and fees.

Motor Vehicle Division. 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, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
MUNICIPAL JUDGE'S FUND				
ASSETS				
Cash	\$ 569	6,745	6,741	573
Total assets	\$ 569	6,745	6,741	573
LIABILITIES				
Due to other entities	\$ 569	6,745	6,741	573
Total liabilities	\$ 569	6,745	6,741	573
MUNICIPAL JUDGE'S BOND FUND				
ASSETS				
Cash	\$ 116	4,617	4,615	118
Total assets	\$ 116	4,617	4,615	118
LIABILITIES				
Due to other entities	\$ 116	4,617	4,615	118
Total liabilities	\$ 116	4,617	4,615	118
MOTOR VEHICLE DIVISION				
ASSETS				
Cash	\$ 696	1	-	697
Total assets	\$ 696	1	-	697
LIABILITIES				
Due to other entities	\$ 696	1	-	697
Total liabilities	\$ 696	1	-	697
TOTAL				
ASSETS				
Cash	\$ 1,381	11,363	11,356	1,388
Total assets	\$ 1,381	11,363	11,356	1,388
LIABILITIES				
Due to other entities	\$ 1,381	11,363	11,356	1,388
Total liabilities	\$ 1,381	11,363	11,356	1,388

VILLAGE OF CAPITAN
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2013

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Interest bearing checking	City Bank	General Fund	\$ 1,190,081	1,163,478
Interest bearing checking	City Bank	Smokey Bear Donation	2,358	2,358
Interest bearing checking	City Bank	Smokey Bear Enterprise	51,952	52,733
Interest bearing checking	City Bank	Water	634,536	625,247
Interest bearing checking	City Bank	Payroll	29,201	27,927
Interest bearing checking	City Bank	CDBG	888	888
Interest bearing checking	City Bank	Cemetery	35,624	35,624
Interest bearing checking	City Bank	Correction	63,349	63,349
Interest bearing checking	City Bank	Fire Equipment	48,477	48,477
Interest bearing checking	City Bank	Fire Donation	5,527	5,527
Interest bearing checking	City Bank	Fire Department	313,847	312,420
Interest bearing checking	City Bank	Infrastructure	63,121	68,145
Interest bearing checking	City Bank	Lodger's tax	8,861	4,676
Interest bearing checking	City Bank	Juvenile recreation	4,070	4,070
Interest bearing checking	City Bank	Law enforcement protection	3,349	1,201
Interest bearing checking	City Bank	Solid Waste	36,475	24,482
Interest bearing checking	City Bank	Environmental gross receipts tax	219	219
Interest bearing checking	City Bank	Water security	29,299	29,301
Interest bearing checking	Washington Fed.	General Fund	2,310	2,310
CD	Washington Fed.	CD - Water	408,153	409,468
CD	Washington Fed.	CD - General Fund	512,201	514,393
	Total cash and cash equivalents - non-agency funds		3,443,898	3,396,293
	Petty Cash	Water	-	300
	Total cash and cash equivalents - non-agency funds		<u>3,443,898</u>	<u>3,396,593</u>
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
			<u>11,033</u>	<u>11,033</u>
	Total deposit and investment accounts - non-agency		<u>\$ 3,454,931</u>	<u>3,407,626</u>
	Agency funds cash accounts			
Interest bearing checking	City Bank	Court Escrow	\$ 117	118
Interest bearing checking	City Bank	Court	656	573
Interest bearing checking	City Bank	MVD	497	497
	Total cash and cash equivalents - agency funds		<u>1,270</u>	<u>1,188</u>
	Petty Cash	MVD Clerk	-	200
	Total cash - agency funds		<u>\$ 1,270</u>	<u>1,388</u>

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2013

	City Bank	Washington Federal	Total
Deposits at June 30, 2013	\$ 2,522,504	922,664	3,445,168
Less: FDIC coverage	250,000	252,310	502,310
Uninsured public funds	2,272,504	670,354	2,942,858
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	2,248,083	1,049,543	3,297,626
Uninsured and uncollateralized	\$ 24,421	-	24,421
50% pledged collateral requirement per statute	\$ 1,136,252	335,177	1,471,429
Total pledged collateral	2,248,083	1,049,543	3,297,626
Pledged collateral over the requirement	\$ (1,111,831)	(714,366)	(1,826,197)

Pledged collateral at June 30, 2013 consists of the following:

Security	CUSIP	Maturity	Market Value	Market Value	Market Value
FNMA Agency Bond	31359MZ22	10/18/2021	\$ 1,604,593	-	1,604,593
FNMA Agency Bond	31410KPU2	7/1/2023	643,490	-	643,490
FHLMC Gold PC A94288 Bond	3620E0NW2	8/20/2061	-	1,049,543	1,049,543
			\$ 2,248,083	1,049,543	3,297,626

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.

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF APPROPRIATIONS
June 30, 2013

<u>Appropriation</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Original Amount</u>	<u>Funds Expended</u>	<u>Funds Remaining</u>
SAP 12-1352-STB	8/10/2012	06/30/2016	\$ 205,000	116,692	-
SAP 12-1353-STB	8/10/2012	06/30/2016	150,000	19,056	130,944

The \$205,000 project was completed. The Village will not bill the remaining amount of the grant.

Unexpended balances will be earned when all grant requirements have been met.

The funds remaining are encumbered.

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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, 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, of the Village of Capitan (Village) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Porch & Associates LLC

Albuquerque, New Mexico
November 8, 2013

**VILLAGE OF CAPITAN, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013**

None

**VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

None

**VILLAGE OF CAPITAN, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2013**

An exit conference was held on October 24, 2013, and attended by the following:

Village of Capitan, New Mexico

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

Porch & Associates LLC

Thad Porch, Managing Principal

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