

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF CAPITAN, NEW MEXICO

Financial Statements, Supplementary Information
and
Independent Auditor's Report

June 30, 2015

VILLAGE OF CAPITAN, NEW MEXICO

TABLE OF CONTENTS

	Page
List of Principal Officials	i
Independent Auditor’s Report	1
Government-Wide Financial Statements	
Statement of Net Position	4
Statement of Activities.....	5
Fund Financial Statements	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	9
Statement of Revenues and Expenditures – Budget and Actual – (Non-GAAP Budgetary Basis):	
General Fund.....	10
Fire Protection.....	11
Balance Sheet – Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	13
Statement of Cash Flows – Proprietary Funds.....	14
Statement of Fiduciary Net Position – Agency Funds.....	16
Notes to Financial Statements	17

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

Page

Supplemental Information

Nonmajor Governmental Funds

Combining Balance Sheet	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	47
Statements of Revenues and Expenditures – Budget and Actual – (Non-GAAP Budgetary Basis):	
Cemetery	51
Corrections	52
Fire Equipment.....	53
Infrastructure	54
Lodger’s Tax	55
Juvenile Recreation	56
Law Enforcement Protection	57
Smokey Bear Donation	58
Environmental Gross Receipts Tax	59
Fire Donation	60
Statements of Revenues and Expenses – Budget and Actual – (Non-GAAP Budgetary Basis):	
Utility Water and Sewer Enterprise Fund	61
Solid Waste Enterprise Fund	62
Smokey Bear Enterprise Fund	63

VILLAGE OF CAPITAN, NEW MEXICO

TABLE OF CONTENTS (CONTINUED)

Page

Required Supplementary Information

Schedule of the Village’s Proportionate Share of the Net Pension Liability of PERA’s Municipal Police Division Public Employees Retirement Association (PERA) Plan – Last 10 Fiscal Years64

Schedule of the Village’s Contributions to the Public Employees Retirement Association (PERA) Plan’s Municipal Police Division – Last 10 Fiscal Years.....65

Notes to Schedules of PERA Plan Information66

Supplementary Information – Supporting Schedules

Schedule of Changes in Assets and Liabilities – Agency Funds68

Schedule of Deposit and Investment Accounts69

Schedule of Pledged Collateral.....70

Schedule of Appropriations71

Supplementary Information – Other Schedules

Schedule of Vendor Information for Purchases Exceeding \$60,00072

Other Reports

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*.....73

Summary Schedule of Prior Audit Findings.....76

Schedule of Findings and Responses.....77

Exit Conference85

VILLAGE OF CAPITAN, NEW MEXICO

List of Principal Officials

June 30, 2015

Village Trustees

Dennis Haskell	Mayor
Diane Riska	Mayor Pro-Tem
Lilly Bradley	Trustee
Jean Coulton	Trustee
Ricky LaMay	Trustee

Administrative Officials

Laura McInnes	Village Clerk
Dana Johnson	Deputy Clerk/Finance Officer

Independent Auditor's Report

Mr. Timothy Keller, New Mexico State Auditor and
Dennis Haskell, 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, 2015, 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, 2015, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements as a whole.

Mr. Timothy Keller, New Mexico State Auditor and
Dennis Haskell, 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.

Except for the matter described in the Basis for Disclaimer of Opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion

The Village did not provide sufficient, appropriate, and complete audit evidence to the auditor. As a result, the auditor was not able to complete the work necessary to provide and opinion on the financial statements as a whole.

Opinions

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence provide a basis for an audit opinion on the financial statements as a whole. Accordingly, we do not express an opinion on these financial statements.

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. Timothy Keller, New Mexico State Auditor and
Dennis Haskell, 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 required by Section 2.2.2 NMAC, as listed in the Supplementary Information – Supporting Schedules section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules required by 2.2.2 NMAC 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 schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 as listed in the Supplementary Information – Other Schedules section of the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government auditing standards*, we have also issued our report dated September 1, 2016 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.



Albuquerque, New Mexico
September 1, 2016

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 2,259,837	1,241,387	3,501,224
NMFA project funds	-	25,480	25,480
Receivables:			
Accounts receivable, net of allowance	-	38,629	38,629
Taxes	120,266	-	120,266
Grants	-	13,055	13,055
Inventory	-	11,016	11,016
Capital assets, not depreciated	121,175	4,059,132	4,180,307
Capital assets, net of accumulated depreciation	4,977,844	3,604,403	8,582,247
	<hr/>		
Total assets	7,479,122	8,993,102	16,472,224
<hr/>			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	9,864	-	9,864
<hr/>			
LIABILITIES			
Accounts payable	340,325	-	340,325
Sales tax payable	-	7,564	7,564
Accrued compensation and benefits	21,864	1,011	22,875
Interest payable	-	14,467	14,467
Deposits payable	-	34,185	34,185
Compensated absences, due in one year	18,588	6,839	25,427
Long-term liabilities, due in one year	-	20,867	20,867
Long-term liabilities, due in more than one year	53,153	824,972	878,125
Net pension liability	68,132	-	68,132
	<hr/>		
Total liabilities	502,062	909,905	1,411,967
<hr/>			
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	30,869	-	30,869
<hr/>			
NET POSITION			
Net investments in capital assets	5,045,866	6,817,696	11,863,562
Restricted for:			
Inventory	-	11,016	11,016
Unrestricted	1,910,189	1,254,485	3,164,674
	<hr/>		
Total net position	\$ 6,956,055	8,083,197	15,039,252
<hr/>			

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

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

<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	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General government	\$ 1,091,776	9,926	256,466	103,534	(721,850)	-	(721,850)
Public safety	342,159	6,553	169,764	-	(165,842)	-	(165,842)
Highways and streets	244,532	-	-	-	(244,532)	-	(244,532)
Total governmental activities	<u>1,678,467</u>	<u>16,479</u>	<u>426,230</u>	<u>103,534</u>	<u>(1,132,224)</u>	<u>-</u>	<u>(1,132,224)</u>
Business-type activities							
Utility Water and Sewer	660,294	570,679	-	-	-	(89,615)	(89,615)
Solid Waste	188,494	179,535	-	-	-	(8,959)	(8,959)
Smokey Bear Enterprise	68,205	66,471	-	-	-	(1,734)	(1,734)
Total business-type activities	<u>916,993</u>	<u>816,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,308)</u>	<u>(100,308)</u>
Total primary government	<u>\$ 2,595,460</u>	<u>833,164</u>	<u>426,230</u>	<u>103,534</u>	<u>(1,132,224)</u>	<u>(100,308)</u>	<u>(1,232,532)</u>
General Revenues:							
Franchise taxes					48,942	-	48,942
Gasoline taxes					19,820	-	19,820
Gross receipts taxes					515,971	-	515,971
Property taxes					79,175	-	79,175
Lodgers taxes					4,465	-	4,465
Interest and investment earnings					7,626	4,608	12,234
Lease of water rights					-	90,000	90,000
Other					26,610	1,579	28,189
Operating transfers					(2,285)	27,090	24,805
Total general revenues					<u>700,324</u>	<u>123,277</u>	<u>823,601</u>
Change in net position					<u>(431,900)</u>	<u>22,969</u>	<u>(408,931)</u>
Net position, beginning of year					7,482,377	8,060,228	15,542,605
Restatement					(94,422)	-	(94,422)
Net position, beginning of year, as restated					<u>7,387,955</u>	<u>8,060,228</u>	<u>15,448,183</u>
Net position, ending					<u>\$ 6,956,055</u>	<u>8,083,197</u>	<u>15,039,252</u>

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

**VILLAGE OF CAPITAN, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Fire Protection	Nonmajor Governmental Funds	Total
ASSETS				
Cash and investments	\$ 1,762,470	316,604	180,763	2,259,837
Receivables:				
Taxes:				
Property	14,866	-	-	14,866
Gross receipts	97,905	-	7,236	105,141
Gas	-	-	-	-
Motor vehicle	259	-	-	259
Due from other funds	-	-	18,175	18,175
Total assets	\$ 1,875,500	316,604	206,174	2,398,278
LIABILITIES				
Accounts payable	\$ 53,331	-	286,994	340,325
Accrued compensation and benefits	21,864	-	-	21,864
Due to other funds	18,175	-	-	18,175
Total liabilities	93,370	-	286,994	380,364
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	7,797	-	-	7,797
FUND BALANCES				
Restricted for:				
Special revenue funds	-	316,604	147,927	464,531
Capital projects funds	-	-	(286,098)	(286,098)
Committed to:				
Special revenue funds	-	-	48,785	48,785
Assigned to:				
Special revenue funds	-	-	8,566	8,566
Unassigned:				
General fund	1,774,333	-	-	1,774,333
Total fund balances	1,774,333	316,604	(80,820)	2,010,117
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,875,500	316,604	206,174	2,398,278

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, 2015

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

Total fund balance - governmental funds	\$ 2,010,117
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	5,099,019
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	7,797
Long-term liabilities, including compensated absences, loans payable, and net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities consists of:	
Compensated absences	(18,588)
Loans payable	(53,153)
Net pension liability	<u>(68,132)</u>
	(139,873)
Deferred outflows of resources related to pensions are not due and payable in the current period and, therefore, are not reported in the governmental funds.	9,864
Deferred inflows of resources related to pensions are not received in the current period and, therefore, are not reported in the governmental funds.	<u>(30,869)</u>
Net position - governmental activities	<u><u>\$ 6,956,055</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, 2015

	General	Fire Protection	Nonmajor Governmental Funds	Total
Revenues				
Taxes	\$ 606,246	-	56,749	662,995
Licenses, permits, fees, fines	10,318	-	3,161	13,479
Federal sources:				
Grant	-	-	88,380	88,380
Non-federal sources:				
Intergovernmental	271,620	147,964	21,800	441,384
Grant	250,066	-	-	250,066
Interest and investment income	5,991	1,050	585	7,626
Sales	-	-	3,000	3,000
Other	26,610	-	-	26,610
Total revenues	1,170,851	149,014	173,675	1,493,540
Expenditures				
Current				
General government	231,688	-	17,112	248,800
Public safety	308,487	34,101	4,856	347,444
Highways and streets	232,385	-	12,147	244,532
Capital outlay	389,972	-	452,257	842,229
Total expenditures	1,162,532	34,101	486,372	1,683,005
Deficiency of revenues over expenditures before other financings sources	8,319	114,913	(312,697)	(189,465)
Other Financing Sources				
Proceeds from the issuance of debt	-	-	53,153	53,153
Operating transfers in	5,000	-	3,591	8,591
Operating transfers out	(5,876)	-	(5,000)	(10,876)
Total other financing sources	(876)	-	51,744	50,868
Net change in fund balances	7,443	114,913	(260,953)	(138,597)
Fund balance, beginning of year	1,766,890	201,691	180,133	2,148,714
Fund balance, end of year	\$ 1,774,333	316,604	(80,820)	2,010,117

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, 2015

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

Net changes in fund balances - governmental funds	\$ (138,597)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	5,378
Unavailable revenue is recorded as income under the accrual method, and not the modified accrual method	(250,066)
Accrued compensated absences are expensed under the accrual method, and not the modified accrual method	(747)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Change in deferred outflows of resources related to pensions	9,864
Change in deferred inflows of resources related to pensions	(4,579)
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net position.	<u>(53,153)</u>
Change in net position - governmental activities	<u><u>\$ (431,900)</u></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)
GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 591,554	\$ 591,554	570,766	(20,788)
Licenses, permits, fees and fines	10,125	10,125	10,318	193
Intergovernmental	248,000	248,000	271,620	23,620
Grants	29,480	29,480	60,000	30,520
Interest and investment income	6,200	6,200	5,991	(209)
Other	64,841	64,841	26,610	(38,231)
Total revenues	950,200	950,200	945,305	(4,895)
Expenditures				
General government	284,762	314,762	268,445	46,317
Public safety	312,684	312,684	308,487	4,197
Highways and streets	713,938	1,026,753	232,385	794,368
Capital outlay	307,625	307,625	389,972	(82,347)
Total expenditures	1,619,009	1,961,824	1,199,289	762,535
(Deficiency) excess of revenues over expenditures	(668,809)	(1,011,624)	(253,984)	757,640
Other financing sources				
Transfers in: severance tax appropriation	190,000	190,000	-	(190,000)
Operating transfers in	5,000	5,000	5,000	-
Operating transfers out	-	-	(5,876)	(5,876)
Total other financing sources	195,000	195,000	(876)	(5,876)
Net change in fund balance	(473,809)	(816,624)	(254,860)	751,764
Prior year cash appropriated	473,809	816,624		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ (254,860)	
Change from:				
Receivables			(19,142)	
Accounts payable			29,230	
Accrued compensation and benefits			7,527	
Unearned revenue - grants			250,066	
Unavailable revenue - property taxes			(5,378)	
GAAP change in fund balance			<u>\$ 7,443</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 117,168	117,168	147,964	30,796
Interest and investment income	1,050	1,050	1,050	-
Total revenues	118,218	118,218	149,014	30,796
Expenditures				
Public safety	312,168	312,168	34,396	277,772
Net change in fund balance	(193,950)	(193,950)	114,618	<u>308,568</u>
Prior year cash appropriated	193,950	193,950	-	
	<u>\$ -</u>	<u>-</u>	<u>114,618</u>	
Non-GAAP change in fund balance			\$ 114,618	
Change from:				
Accounts payable			<u>295</u>	
GAAP change in fund balance			<u>\$ 114,913</u>	

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

VILLAGE OF CAPITAN, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2015

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
ASSETS				
Current Assets				
Cash and investments	\$ 1,156,649	23,043	61,695	1,241,387
NMFA project funds	25,480	-	-	25,480
Accounts receivable, net of allowance	22,423	16,206	-	38,629
Grants receivable	13,055	-	-	13,055
Inventory	-	-	11,016	11,016
Total current assets	1,217,607	39,249	72,711	1,329,567
Capital Assets				
Land and water rights	4,059,132	-	-	4,059,132
Plant and equipment	7,026,466	-	1,691	7,028,157
Buildings and improvements	142,098	-	34,875	176,973
Vehicles	219,150	-	-	219,150
Accumulated depreciation	(3,784,746)	-	(35,131)	(3,819,877)
Total capital assets, net	7,662,100	-	1,435	7,663,535
Total assets	\$ 8,879,707	39,249	74,146	8,993,102
LIABILITIES AND NET POSITION				
Current Liabilities				
Sales tax payable	\$ 2,933	-	4,631	7,564
Accrued compensation and benefits	887	-	124	1,011
Interest payable	14,467	-	-	14,467
Deposits payable	34,185	-	-	34,185
Compensated absences, current portion	5,893	-	946	6,839
Loans payable, current portion	12,267	-	-	12,267
Bonds payable, current portion	8,600	-	-	8,600
Total current liabilities	79,232	-	5,701	84,933
Long-Term Liabilities				
Loans payable	244,053	-	-	244,053
Bonds payable	580,919	-	-	580,919
Total long-term liabilities	824,972	-	-	824,972
Total liabilities	904,204	-	5,701	909,905
Net Position:				
Net investment in capital assets	6,816,261	-	1,435	6,817,696
Restricted for inventory	-	-	11,016	11,016
Unrestricted	1,159,242	39,249	55,994	1,254,485
Total net position	7,975,503	39,249	68,445	8,083,197
Total liabilities and net position	\$ 8,879,707	39,249	74,146	8,993,102

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, 2015

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating Revenues				
Sales and services	\$ 570,679	179,535	66,471	816,685
Operating Expenses				
Operating expenses	660,104	188,494	66,917	915,515
Depreciation	-	-	1,288	1,288
Total operating expenses	660,104	188,494	68,205	916,803
Operating Loss	(89,425)	(8,959)	(1,734)	(100,118)
Nonoperating Revenues (Expenses)				
Other	1,436	-	143	1,579
Lease of water rights	90,000	-	-	90,000
Interest income	4,314	109	185	4,608
Interest expense	(190)	-	-	(190)
Transfers in	27,190	-	-	27,190
Transfers out	(100)	-	-	(100)
Total nonoperating revenues (expenses)	122,650	109	328	123,087
Change in net position	33,225	(8,850)	(1,406)	22,969
Net position, beginning of year	7,942,278	48,099	69,851	8,060,228
Net position, end of year	\$ 7,975,503	39,249	68,445	8,083,197

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, 2015

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Cash Flows From Operating Activities				
Cash received from customers	\$ 583,848	182,532	66,471	832,851
Cash payments to vendors and employees	(648,130)	(188,494)	(63,151)	(899,775)
Net cash (used) provided by operating activities	(64,282)	(5,962)	3,320	(66,924)
Cash Flows From Noncapital and Related Financing Activities				
Other income	1,436	-	143	1,579
Operating transfers, net	27,090	-	-	27,090
Net cash provided by noncapital financing activities	28,526	-	143	28,669
Cash Flows From Capital and Related Financing Activities				
Principal payment on bonds	(9,400)	-	-	(9,400)
Principal payment on loans	(12,007)	-	-	(12,007)
Interest payment on bonds and loans	(190)	-	-	(190)
Net cash used by capital and related financing activities	(21,597)	-	-	(21,597)
Cash Flows From Investing Activities				
Interest received on investments	4,314	109	185	4,608
Sale of water rights	90,000	-	-	90,000
Net cash provided by investing activities	94,314	109	185	94,608
Net change in cash	36,961	(5,853)	3,648	34,756
Cash, beginning of year	1,119,688	28,896	58,047	1,206,631
Cash, end of year	\$ 1,156,649	23,043	61,695	1,241,387

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, 2015

	Utility Water & Sewer	Solid Waste	Smokey Bear Enterprise	Total
Operating Loss	\$ (89,425)	(8,959)	(1,734)	(100,118)
Adjustments to reconcile operating income to net cash flows:				
Depreciation expense	-	-	1,288	1,288
Changes in assets and liabilities				
Accounts receivable	13,169	2,997	-	16,166
Grants receivable	28,710	-	-	28,710
Accounts payable	(13,955)	-	-	(13,955)
Accrued expenses	(2,781)	-	3,766	985
Net cash (used) provided by operating activities	\$ (64,282)	(5,962)	3,320	(66,924)

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, 2015

ASSETS

Cash	\$ 1,479
Total assets	<u><u>\$ 1,479</u></u>

LIABILITIES

Due to other entities	\$ 1,479
Total liabilities	<u><u>\$ 1,479</u></u>

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, financial statements are presented for the Village and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Village has no component units.

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

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.

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, 2015

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 unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned 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 unearned 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, 2015

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, 2015

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, 2015

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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Village has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Pensions – Deferred Inflows and Deferred Outflows or Resources

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when the payable in accordance with the benefit terms. Investments are reported at fair value.

J. 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.

K. Fund Balances

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

K. Fund Balances (Continued)

- 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).

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 \$316,604 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, 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 42.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

K. Fund Balances (Continued)

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 42.

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 42.

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.

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.

L. 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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

M. 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.

N. 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. A budget has not been adopted for the CDBG senior center fund.

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

O. 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.

P. Implementation of New Accounting Standards

During the year ended June 30, 2015, the Village adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. Implementation of GASB No. 68 will have a material impact of the Villages liabilities, deferred inflows of resources, deferred outflows of resources, and net assets. Details of GASB No. 68 and its implementation may be found in Footnote 10.

GASB No. 69 – *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement will not have a material impact on the Village’s financial statements.

GASB No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement will not have a material impact on the Village’s financial statements.

GASB No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. GASB No. 71 was implemented in simultaneously with the provisions of GASB No. 68 above.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, the Village's bank balance total of \$3,641,499 was exposed to credit risk in the amount of \$3,139,184 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 3,139,184</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.

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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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

LGIP does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in this pool is voluntary. The independent 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.

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, 2015 was 54.6 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, 2015:

Accounts receivable	\$ 70,429
Allowance for uncollectible accounts	<u>(31,800)</u>
Accounts receivable, net	<u>\$ 38,629</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2015 was as follows:

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		1,804,956	-	-	1,804,956
Machinery and equipment		219,791	-	-	219,791
Infrastructure		4,934,276	-	-	4,934,276
Total, depreciated		8,183,926	-	-	8,183,926
Accumulated depreciation for:					
Buildings		429,175	-	-	429,175
Vehicles		1,445,201	-	-	1,445,201
Machinery and equipment		197,695	-	-	197,695
Infrastructure		1,134,011	-	-	1,134,011
Total accumulated depreciation		3,206,082	-	-	3,206,082
Total capital assets, depreciated, net	\$	4,977,844	-	-	4,977,844
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	\$	7,028,157	-	-	7,028,157
Buildings and improvements		176,973	-	-	176,973
Vehicles		219,150	-	-	219,150
Total, depreciated		7,424,280	-	-	7,424,280
Total accumulated depreciation		3,818,589	-	-	3,818,589
Total capital assets, depreciated, net	\$	3,605,691	-	-	3,605,691

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was not recorded by the Village for the year ending June, 30, 2015.

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2015, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans payable	\$ -	53,153	-	53,153	-
Net pension liability	101,872	-	(33,740)	68,132	-
Compensated absences	17,841	6,935	(6,188)	18,588	18,588
Total	\$ 119,713	60,088	(39,928)	139,873	18,588

During the year ended June 30, 2013, the Village borrowed \$53,153 for the purchase of a police car. The loan is to be paid in four yearly principal and interest payments. Interest ranges from 0.730% to 1.600%.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ -	-	-
2017	12,688	1,192	13,880
2018	13,328	552	13,880
2019	13,476	405	13,881
2020	13,661	218	13,879
	<u>\$ 53,153</u>	<u>2,367</u>	<u>55,520</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.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS
(CONTINUED)

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

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

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

The following schedule does not agree to the trial balance provided by the Village. We have disclaimed an opinion on the financial statements as a whole.

During the year ended June 30, 2015, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Bonds payable	\$ 602,586	-	(9,400)	593,186	8,600
Loans payable	264,660	-	(12,007)	252,653	12,267
Compensated absences	6,935	6,575	(6,671)	6,839	6,839
Total	<u>\$ 874,181</u>	<u>6,575</u>	<u>(28,078)</u>	<u>852,678</u>	<u>27,706</u>

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

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

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

The future requirements are as follows:

Water System Improvement Bond, Series - 2001

Year Ending June 30	Principal	Interest	Total
2016	\$ 5,000	19,228	24,228
2017	10,000	18,991	28,991
2018	10,000	18,516	28,516
2019	10,000	18,041	28,041
2020	10,000	17,566	27,566
2021 to 2025	50,000	80,075	130,705
2026 to 2030	70,000	67,404	137,404
2031 to 2035	85,000	49,591	134,591
2036 to 2040	110,000	27,028	137,028
2041 to 2042	44,800	3,069	47,869
	<u>\$ 404,800</u>	<u>320,139</u>	<u>724,939</u>

Water System Improvement Bond, Series - 2002

Year Ending June 30	Principal	Interest	Total
2016	\$ 3,600	8,948	12,548
2017	3,700	8,777	12,477
2018	3,900	8,602	12,502
2019	4,100	8,416	12,516
2020	4,300	8,222	12,522
2021 to 2025	24,800	37,840	62,640
2026 to 2030	31,300	31,365	62,665
2031 to 2035	39,400	23,205	62,605
2036 to 2040	49,700	12,907	62,607
2041 to 2042	23,586	1,699	25,285
	<u>\$ 188,386</u>	<u>149,981</u>	<u>338,367</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

During the year ended June 30, 2013, 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
2016	\$ 8,244	5,383	13,627
2017	8,492	5,135	13,627
2018	8,747	4,880	13,627
2019	9,009	4,618	13,627
2020	9,279	4,348	13,627
2021 to 2025	50,743	17,392	68,135
2026 to 2030	58,824	9,311	68,135
2031 to 2032	26,075	1,179	27,254
	<u>\$ 179,413</u>	<u>52,246</u>	<u>231,659</u>

During the year ended June 30, 2015, the Village entered into a loan/grant agreement for \$24,150 in grant money from the New Mexico Water Trust Board and a \$16,100 loan from the New Mexico Finance Authority. The proceeds were used for water system improvements. The loan is to be paid in twenty yearly principal payments. The note does not bear interest.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 805	-	805
2017	805	-	805
2018	805	-	805
2019	805	-	805
2020	805	-	805
2021 to 2025	4,025	-	4,025
2026 to 2030	4,025	-	4,025
2031 to 2034	3,240	-	3,240
	<u>\$ 15,315</u>	<u>-</u>	<u>15,315</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

During the year ended June 30, 2015, the Village entered into a loan/grant agreement for \$575,393 in grant money from the Colonias Infrastructure Board and a \$63,932 loan from the New Mexico Finance Authority. The proceeds were used for water system improvements. The loan is to be paid in twenty yearly principal payments. The note does not bear interest.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 3,218	-	3,218
2017	3,218	-	3,218
2018	3,218	-	3,218
2019	3,218	-	3,218
2020	3,218	-	3,218
2021 to 2025	16,090	-	16,090
2026 to 2030	16,090	-	16,090
2031 to 2033	9,655	-	9,655
	<u>\$ 57,925</u>	<u>-</u>	<u>57,925</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. INTERFUND OPERATING TRANSFERS

Interfund operating transfers do not balance between funds. Therefore, the required disclosure regarding interfund operating transfers is not presented.

NOTE 9. DUE TO AND DUE FROM ACCOUNTS

The general fund owed the infrastructure fund \$18,175 at June 30, 2015. The balance represents taxes collected by the general fund that should be recorded in the infrastructure fund.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10. PERA PENSION PLAN

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://www.saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015, available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf

Contributions – The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf

The PERA coverage option that applies to Village is The Municipal Police Division. Statutorily required contributions to the pension plan from the Village were \$9,864 for the year ended June 30, 2015.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10. PERA PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement dated June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Municipal Police Division

For the PERA Municipal Police Division, at June 30, 2015, the Village reported a liability of \$68,132 for its proportionate share of the net pension liability. At June 30, 2014, the Village's proportion was 0.0209%, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10. PERA PENSION PLAN (CONTINUED)

For the year ended June 30, 2015, the Village recognized PERA Municipal Police Division pension expense of \$4,579. At June 30, 2015, the Village reported PERA Fund Division deferred outflows of resources and deferred inflows of resources of \$9,864 and \$30,869, respectively, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Change of assumption	-	5,535
Net difference between projected and actual earnings on pension plan investments	-	25,334
Village contributions subsequent to the measurement date	<u>9,864</u>	<u>-</u>
	<u>\$ 9,864</u>	<u>30,869</u>

\$9,864 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

2016	\$ (7,710)
2017	(7,710)
2018	(7,710)
2019	(7,710)
2020	<u>(29)</u>
	<u>\$ (30,869)</u>

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10. PERA PENSION PLAN (CONTINUED)

Actuarial assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013, for each of the membership groups. Then each PERA Fund member group pension liability was rolled from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. There were not significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014, actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
– Investment rate of return	7.75% annual rate, net of investment expense
– Payroll growth	3.50% annual rate
– Projected salary increases	3.50% to 14.25% annual rate
– Included inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real times of return for each major asset class are summarized in the following table:

All Funds – Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. Equity	21.1 %	5.0 %
International Equity	24.8	5.2
Private Equity	7.0	8.2
Core and Global Fixed Income	26.1	1.9
Fixed Income Plus Sectors	5.0	4.8
Real Estate	5.0	5.3
Real Assets	7.0	5.7
Absolute Return	4.0	4.2
Total	100.0 %	

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10. PERA PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On that basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village’s proportionate share of the net pension liability to changes in the discount rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Village’s net pension liability in each PERA fund division that Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<u>PERA Municipal Police Division</u>			
Village’s proportionate share of the net pension liability	\$ 129,927	68,132	21,990

Pension plan fiduciary net position – Detailed information about the pension’s fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

NOTE 11. PENSION PLAN AND DEFERRED COMPENSATION PLAN

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

NOTE 12. RETIREE HEALTH CARE ACT

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

NOTE 13. RISK MANAGEMENT

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

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

NOTE 14. JOINT POWERS AGREEMENTS

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

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

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 14. JOINT POWERS AGREEMENTS (CONTINUED)

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

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

NOTE 15. DEFICIT FUND BALANCE

The CDBG Senior Center fund has a negative fund balance at year-end in the amount of \$286,098. This is the result of the Village not recording grant receivable and the related revenue.

NOTE 16. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through September 1, 2016, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2015.

NOTE 17. EXCESS OF EXPENDITURES OVER AUTHORIZED BUDGET

The lodger's tax, law enforcement protection and solid waste funds exceeded their authorized budgets. Please see the budget to actual schedules.

NOTE 18. RESTATEMENT OF NET POSITION

During the year ended June 30, 2015, the Village implemented Governmental Accounting Standards Board (*GASB*) *Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Village has restated the beginning net position by \$(94,422) as part of the implementation of this *GASB* Statement.

VILLAGE OF CAPITAN, NEW MEXICO
NON-MAJOR FUNDS
June 30, 2015

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, 2015

	Cemetery	Corrections	Fire Equipment
ASSETS			
Cash and investments	\$ 39,765	15,348	48,785
Receivables:			
Gross receipts	-	-	-
Gas	-	-	-
Due from other funds	-	-	-
Total assets	\$ 39,765	15,348	48,785
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
FUND BALANCES			
Restricted for:			
Special revenue funds	39,765	15,348	-
Capital project funds	-	-	-
Committed to special revenue funds	-	-	48,785
Assigned to special revenue funds	-	-	-
Total fund balances	39,765	15,348	48,785
Total fund balances and liabilities	\$ 39,765	15,348	48,785

VILLAGE OF CAPITAN, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2015

	Infrastructure	Lodgers Tax	Juvenile Recreation
ASSETS			
Cash and investments	\$ 59,458	3,333	4,097
Receivables:			
Gross receipts	4,824	-	
Gas	-	-	
Due from other funds	18,175	-	
	<hr/>		
Total assets	\$ 82,457	3,333	4,097
	<hr/> <hr/>		
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
	<hr/> <hr/>		
FUND BALANCES			
Restricted for:			
Special revenue funds	82,457	3,333	4,097
Capital project funds	-	-	-
Committed to special revenue funds	-	-	-
Assigned to special revenue funds	-	-	-
	<hr/>		
Total fund balances	82,457	3,333	4,097
	<hr/>		
Total fund balances and liabilities	\$ 82,457	3,333	4,097
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2015**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
ASSETS			
Cash and investments	\$ 292	2,952	223
Receivables:			
Gross receipts	-	-	2,412
Gas	-	-	-
Due from other funds	-	-	-
	<hr/>		
Total assets	\$ 292	2,952	2,635
	<hr/> <hr/>		
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
	<hr/> <hr/>		
FUND BALANCES			
Restricted for:			
Special revenue funds	292	-	2,635
Capital project funds	-	-	-
Committed to special revenue funds	-	-	-
Assigned to special revenue funds	-	2,952	-
	<hr/>		
Total fund balances	292	2,952	2,635
	<hr/> <hr/>		
Total fund balances and liabilities	\$ 292	2,952	2,635
	<hr/> <hr/>		

VILLAGE OF CAPITAN, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2015

	Fire Donation	CDBG Senior Center	Total Non-major
ASSETS			
Cash and investments	\$ 5,614	896	180,763
Receivables:			
Gross receipts	-	-	7,236
Gas	-	-	-
Due from other funds	-	-	18,175
	<hr/>		
Total assets	\$ 5,614	896	206,174
	<hr/> <hr/>		
LIABILITIES			
Accounts payable	\$ -	286,994	286,994
Total liabilities	-	286,994	286,994
	<hr/> <hr/>		
FUND BALANCES			
Restricted for:			
Special revenue funds	-	-	147,927
Capital project funds	-	(286,098)	(286,098)
Committed to special revenue funds	-	-	48,785
Assigned to special revenue funds	5,614	-	8,566
	<hr/>		
Total fund balances	5,614	(286,098)	(80,820)
	<hr/> <hr/>		
Total fund balances and liabilities	\$ 5,614	896	206,174
	<hr/> <hr/>		

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2015**

	Cemetery	Corrections	Fire Equipment
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, fines	-	3,161	-
Federal sources:			
Grant	-	-	-
Non-federal sources:			
Intergovernmental	-	-	-
Interest and investment income	124	59	148
Sales	3,000	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	3,124	3,220	148
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	(147)	-	-
Public safety	-	360	-
Highways and streets	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	(147)	360	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	3,271	2,860	148
	<hr/>	<hr/>	<hr/>
Other Financing Uses (Sources)			
Proceeds from debt financing	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	(5,000)	-
	<hr/>	<hr/>	<hr/>
Total other financing uses (sources)	-	(5,000)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	3,271	(2,140)	148
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	36,494	17,488	48,637
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 39,765	15,348	48,785
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2015**

	Infrastructure	Lodgers Tax	Juvenile Recreation
Revenues			
Taxes	\$ 40,460	4,465	-
Licenses, permits, fees, fines	-	-	-
Federal sources:			
Grant	-	-	-
Non-federal sources:			
Intergovernmental	-	-	-
Interest and investment income	123	17	13
Sales	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	40,583	4,482	13
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	-	6,153	-
Public safety	-	-	-
Highways and streets	12,147	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	12,147	6,153	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	28,436	(1,671)	13
	<hr/>	<hr/>	<hr/>
Other Financing Uses (Sources)			
Proceeds from debt financing	-	-	-
Operating transfers in	3,591	-	-
Operating transfers out	-	-	-
Total other financing uses (sources)	3,591	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	32,027	(1,671)	13
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	50,430	5,004	4,084
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 82,457	3,333	4,097
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2015**

	Law Enforcement Protection	Smokey Bear Donation	Environmental Gross Receipts Tax
Revenues			
Taxes	\$ -	-	11,824
Licenses, permits, fees, fines	-	-	-
Federal sources:			
Grant	-	-	-
Non-federal sources:			
Intergovernmental	21,800	-	-
Interest and investment income	69	9	3
Sales	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	21,869	9	11,827
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	-	-	11,106
Public safety	4,496	-	-
Highways and streets	-	-	-
Capital outlay	76,883	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	81,379	-	11,106
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	(59,510)	9	721
	<hr/>	<hr/>	<hr/>
Other Financing Uses (Sources)			
Proceeds from debt financing	53,153	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing uses (sources)	53,153	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(6,357)	9	721
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	6,649	2,943	1,914
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 292	2,952	2,635
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF CAPITAN, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2015**

	Fire Donation	CDBG Senior Center	Total Non-major
Revenues			
Taxes	\$ -	-	56,749
Licenses, permits, fees, fines	-	-	3,161
Federal sources:			
Grant	-	88,380	88,380
Non-federal sources:			
Intergovernmental	-	-	21,800
Interest and investment income	19	1	585
Sales	-	-	3,000
	<hr/>		
Total revenues	19	88,381	173,675
	<hr/>		
Expenditures			
Current			
General government	-	-	17,112
Public safety	-	-	4,856
Highways and streets	-	-	12,147
Capital outlay	-	375,374	452,257
	<hr/>		
Total expenditures	-	375,374	486,372
	<hr/>		
Excess (deficiency) of revenues over expenditures before other financing sources	19	(286,993)	(312,697)
	<hr/>		
Other Financing Uses (Sources)			
Proceeds from debt financing	-	-	53,153
Operating transfers in	-	-	3,591
Operating transfers out	-	-	(5,000)
Total other financing uses (sources)	-	-	51,744
	<hr/>		
Net change in fund balances	19	(286,993)	(260,953)
	<hr/>		
Fund balance, beginning of year	5,595	895	180,133
	<hr/>		
Fund balance, end of year	\$ 5,614	(286,098)	(80,820)
	<hr/> <hr/>		

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CEMETERY
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Plot sales	\$ 1,200	1,200	3,000	1,800
Interest and investment income	100	100	124	24
Total revenues	1,300	1,300	3,124	1,824
Expenditures				
General government	13,200	13,200	(147)	13,347
Total expenditures	13,200	13,200	(147)	13,347
Net change in fund balance	(11,900)	(11,900)	3,271	15,171
Prior year cash appropriated	11,900	11,900		
	<u>\$ -</u>	<u>-</u>		

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses, permits, fees, fines	\$ 4,000	4,000	3,161	(839)
Interest and investment income	175	175	59	(116)
Total revenues	4,175	4,175	3,220	(955)
Expenditures				
Public safety	1,200	1,200	360	840
Total expenditures	1,200	1,200	360	840
Excess of revenues over expenses	2,975	2,975	2,860	(115)
Nonoperating revenues				
Transfers out	(5,000)	(5,000)	(5,000)	-
Net change in fund balance	\$ (2,025)	(2,025)	(2,140)	(115)
Prior year cash appropriated	2,025	2,025	2,140	
	-	-	-	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE EQUIPMENT
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 5,130	5,130	-	(5,130)
Interest and investment income	-	-	148	148
Total revenues	5,130	5,130	148	(4,982)
Expenditures				
Public safety	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Net change in fund balance	\$ 130	130	148	18

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
INFRASTRUCTURE
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 44,000	44,000	42,277	(1,723)
Interest and investment income	110	110	123	13
Total revenues	44,110	44,110	42,400	(1,710)
Expenditures				
Highways and streets	44,000	44,000	12,147	31,853
Excess of revenues over expenditures	110	110	30,253	30,143
Nonoperating revenues				
Transfers in	-	-	3,591	3,591
Net change in fund balance	\$ 110	110	33,844	33,734
Non-GAAP change in fund balance			\$ 33,844	
Change from:				
Accounts receivable			(1,817)	
GAAP change in fund balance			\$ 32,027	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LODGER'S TAX
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,200	5,200	4,465	(735)
Interest and investment income	20	20	17	(3)
Total revenues	<u>4,220</u>	<u>5,220</u>	<u>4,482</u>	<u>(738)</u>
Expenditures				
General government	5,300	5,300	6,153	(853)
Total expenditures	<u>5,300</u>	<u>5,300</u>	<u>6,153</u>	<u>(853)</u>
Net change in fund balance	(1,080)	(80)	(1,671)	<u>(1,591)</u>
Prior year cash appropriated	1,080	80	1,671	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
JUVENILE RECREATION
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Interest and investment income	\$ 12	12	14	2
Total revenues	<u>12</u>	<u>12</u>	<u>13</u>	<u>2</u>
Expenditures				
General government	4,000	4,000	-	4,000
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Net change in fund balance	(3,988)	(3,988)	13	4,002
Prior year cash appropriated	3,988	3,988		
	<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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$ 21,800	21,800	21,800	-
Interest and investment income	52	52	69	17
Total revenues	21,852	21,852	21,869	17
Expenditures				
Public safety	29,000	29,000	4,496	24,504
Capital outlay	-	-	76,883	(76,883)
Total expenditures	29,000	29,000	81,379	(52,379)
Deficiency of revenues over expenditures before other financing sources	(7,148)	(7,148)	(59,510)	(52,362)
Other Financing Sources				
Proceeds from the issuance of debt	-	-	53,153	53,153
Net change in fund balance	(7,148)	(7,148)	(6,357)	791
Prior year cash appropriated	7,148	7,148	6,357	
	<u>\$ -</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, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Interest and investment income	\$ -	-	9	9
Other	407	407	-	(407)
Total revenues	<u>407</u>	<u>407</u>	9	<u>(398)</u>
Expenditures				
General government	2,000	2,000	-	2,000
Total expenditures	<u>2,000</u>	<u>2,000</u>	-	<u>2,000</u>
Net change in fund balance	(1,593)	(1,593)	9	1,602
Prior year cash appropriated	1,593	1,593		
	<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, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 15,000	15,000	11,106	(3,894)
Interest and investment income	3	3	3	-
Total revenues	<u>15,003</u>	<u>15,003</u>	<u>11,109</u>	<u>(3,894)</u>
Expenditures				
General government	15,000	15,000	11,106	3,894
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>11,106</u>	<u>3,894</u>
Net change in fund balance	\$ 3	3	3	-
Non-GAAP change in fund balance			\$ 3	
Change from:				
Accounts receivable			<u>718</u>	
GAAP change in fund balance			<u>\$ 721</u>	

VILLAGE OF CAPITAN, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE DONATION
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other	\$ 200	200	-	(200)
Interest and investment income	15	15	19	4
Total revenues	215	215	19	(196)
Expenditures				
Public safety	200	200	-	200
Total expenditures	200	200	-	200
Net change in fund balance	\$ 15	15	19	4

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Sales and services	\$ 542,535	542,535	583,848	41,313
Intergovernmental	732,625	732,625	28,710	(703,915)
Lease of water rights	90,000	90,000	90,000	-
Interest and investment income	4,000	4,000	4,314	314
Other	1,200	1,200	1,436	236
Total revenues	1,370,360	1,370,360	708,308	(662,052)
Expenses				
Operating expense	536,417	536,417	679,963	(143,546)
Grant expenses	942,730	942,730	-	942,730
Debt payments	4,028	4,028	-	4,028
Total expenses	1,483,175	1,483,175	679,963	803,212
Excess of revenues over expenses	(112,815)	(112,815)	28,345	141,160
Nonoperating revenues				
Transfers in - severance tax appropriation	100,000	100,000	-	(100,000)
Transfers in	-	-	27,190	27,190
Transfers out	-	-	(100)	(100)
	100,000	100,000	27,090	(72,910)
Net change in net position	(12,815)	(12,815)	55,435	68,250
Prior year cash appropriated	12,815	12,815		
	\$ -	-		
Non-GAAP change in fund balance			\$ 55,435	
Change from:				
Receivables			(13,169)	
Grant receivable			(28,710)	
Accounts payable			16,888	
Accrued expenses			2,781	
Non-budgeted items:				
Depreciation			-	
Capital additions			-	
Principal on debt payments			-	
GAAP change in net position			\$ 33,225	

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, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Sales and services	\$ 185,000	185,000	182,532	(2,468)
Interest and investment income	100	100	109	9
Total revenues	<u>185,100</u>	<u>185,100</u>	<u>182,641</u>	<u>(2,459)</u>
Expenses				
Operating expense	<u>185,000</u>	<u>185,000</u>	<u>188,494</u>	<u>(3,494)</u>
Net change in net position	<u>\$ 100</u>	<u>100</u>	<u>(5,853)</u>	<u>(5,953)</u>
Non-GAAP change in fund balance			\$ (5,853)	
Change from:				
Accounts receivable			<u>(2,997)</u>	
GAAP change in net position			<u>\$ (8,850)</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, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales	\$ 73,395	73,395	66,471	(6,924)
Interest	170	170	185	15
Other	-	-	143	143
Total revenues	<u>73,565</u>	<u>73,565</u>	<u>66,799</u>	<u>(6,766)</u>
Expenses				
Operating expense	<u>72,906</u>	<u>72,906</u>	<u>63,151</u>	<u>9,755</u>
Net change in net position	<u>\$ 659</u>	<u>659</u>	<u>3,648</u>	<u>2,989</u>
Non-GAAP change in fund balance			\$ 3,648	
Change from:				
Inventory			-	
Accrued expenses			(3,766)	
Non-budgeted items:				
Depreciation			<u>(1,288)</u>	
GAAP change in net position			<u>\$ (1,406)</u>	

VILLAGE OF CAPITAN, NEW MEXICO
Schedule of the Village's Proportionate Share of the Net Pension Liability
of PERA's Municipal Police Division Public Employees Retirement
Association (PERA) Plan - Last 10 Fiscal Years*
June 30, 2015

Municipal Police Division

	<u>2015</u>
Village's proportion of the net pension liability (asset)	0.0209%
Village's proportionate share of the net pension liability (asset)	\$ 68,132
Village's covered-employee payroll	\$ 557,737
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12%
Plan fiduciary net position as a percentage of the total plan liability	81.29%

* The amounts presented were determined as of June 30, 2015. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is completed, the Village will present information for those years for which information is available.

VILLAGE OF CAPITAN, NEW MEXICO
Schedule of the Village's Contributions to the Public Employees Retirement Association
(PERA) Plan's Municipal Police Division - Last 10 Fiscal Years*
June 30, 2015

Municipal Police Division

	2015
Contractually required contributions	\$ 9,864
Contributions in relation to the contractually required contribution	9,864
Contribution deficiency (excess)	\$ -
 Village's covered-employee payroll	 \$ 557,737
 Contributions as a percentage of covered-employee payroll	 1.8%

* The amounts presented were determined as of June 30, 2015. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is completed, the Village will present information for those years for which information is available.

VILLAGE OF CAPITAN, NEW MEXICO
NOTES TO SCHEDULES OF PERA PLAN INFORMATION
June 30, 2015

Changes in Benefit Terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of Assumptions – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states, “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.”

VILLAGE OF CAPITAN, NEW MEXICO
AGENCY FUNDS
June 30, 2015

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, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
MUNICIPAL JUDGE'S FUND				
ASSETS				
Cash	\$ 616	28,929	29,088	457
Total assets	<u>\$ 616</u>	<u>28,929</u>	<u>29,088</u>	<u>457</u>
LIABILITIES				
Due to other entities	\$ 616	28,929	29,088	457
Total liabilities	<u>\$ 616</u>	<u>28,929</u>	<u>29,088</u>	<u>457</u>
MUNICIPAL JUDGE'S BOND FUND				
ASSETS				
Cash	\$ 118	4,551	4,348	321
Total assets	<u>\$ 118</u>	<u>4,551</u>	<u>4,348</u>	<u>321</u>
LIABILITIES				
Due to other entities	\$ 118	4,551	4,348	321
Total liabilities	<u>\$ 118</u>	<u>4,551</u>	<u>4,348</u>	<u>321</u>
MOTOR VEHICLE DIVISION				
ASSETS				
Cash	\$ 699	2	-	701
Total assets	<u>\$ 699</u>	<u>2</u>	<u>-</u>	<u>701</u>
LIABILITIES				
Due to other entities	\$ 699	2	-	701
Total liabilities	<u>\$ 699</u>	<u>2</u>	<u>-</u>	<u>701</u>
TOTAL				
ASSETS				
Cash	\$ 1,433	33,482	33,436	1,479
Total assets	<u>\$ 1,433</u>	<u>33,482</u>	<u>33,436</u>	<u>1,479</u>
LIABILITIES				
Due to other entities	\$ 1,433	33,482	33,436	1,479
Total liabilities	<u>\$ 1,433</u>	<u>33,482</u>	<u>33,436</u>	<u>1,479</u>

VILLAGE OF CAPITAN
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2015

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Interest bearing checking	City Bank	General Fund	\$ 1,235,010	1,200,600
Interest bearing checking	City Bank	Smokey Bear Donation	2,953	2,952
Interest bearing checking	City Bank	Smokey Bear Enterprise	63,097	61,695
Interest bearing checking	City Bank	Water	744,945	709,237
Interest bearing checking	City Bank	Payroll	32,267	38,363
Interest bearing checking	City Bank	CDBG	89,276	896
Interest bearing checking	City Bank	Cemetery	39,765	39,765
Interest bearing checking	City Bank	Correction	15,348	15,348
Interest bearing checking	City Bank	Fire Equipment	48,798	48,785
Interest bearing checking	City Bank	Fire Donation	5,614	5,614
Interest bearing checking	City Bank	Fire Department	317,141	316,604
Interest bearing checking	City Bank	Infrastructure	57,789	59,458
Interest bearing checking	City Bank	Lodger's tax	2,846	3,333
Interest bearing checking	City Bank	Juvenile recreation	4,097	4,097
Interest bearing checking	City Bank	Law enforcement protection	291	292
Interest bearing checking	City Bank	Solid Waste	20,985	23,043
Interest bearing checking	City Bank	Environmental gross receipts tax	223	223
Interest bearing checking	City Bank	Water security	35,657	35,675
Interest bearing checking	Washington Fed.	General Fund	2,315	2,315
CD	Washington Fed.	CD - Water	409,173	409,173
CD	Washington Fed.	CD - General Fund	512,552	512,552
		Total cash and cash equivalents - non-agency funds	3,640,142	3,490,020
		Petty Cash Water	-	300
		Total cash and cash equivalents - non-agency funds	3,640,142	3,490,320
Local govt. inv. pool	NM State Treasurer	General Fund	8,640	8,640
Local govt. inv. pool	NM State Treasurer	Water Fund	2,264	2,264
			10,904	10,904
		Total deposit and investment accounts - non-agency	\$ 3,651,046	3,501,224
		Agency funds cash accounts		
Interest bearing checking	City Bank	Court Escrow	\$ 321	321
Interest bearing checking	City Bank	Court	535	457
Interest bearing checking	City Bank	MVD	501	501
		Total cash and cash equivalents - agency funds	1,357	1,279
		Petty Cash MVD Clerk	-	200
		Total cash - agency funds	\$ 1,357	1,479

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2015

	City Bank	Washington Federal	Total
Deposits at June 30, 2015	\$ 2,717,459	924,040	3,641,499
Less: FDIC coverage	250,000	252,315	502,315
Uninsured public funds	2,467,459	671,725	3,139,184
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	2,932,541	711,061	3,643,602
Uninsured and uncollateralized	\$ -	-	-
50% pledged collateral requirement per statute	\$ 1,233,730	335,863	1,569,592
Total pledged collateral	2,932,541	711,061	3,643,602
Pledged collateral over the requirement	\$ (1,698,812)	(375,199)	(2,074,010)

Pledged collateral at June 30, 2015 consists of the following:

Security	CUSIP	Maturity	Market Value	Market Value	Market Value
FNMA Agency Bond	3135GOVX8	9/26/2016	\$ 751,124	-	751,124
FFCB Agency Bond	3133EDEB4	6/28/2017	352,071	-	352,071
FNMA Agency Bond	31359MZ22	10/18/2021	1,484,425	-	1,484,425
FNMA Agency Bond	31410KPU2	7/1/2023	344,921	-	344,921
FHLMC Gold PC A94288 Bond	3620E0NW2	8/20/2061	-	711,061	711,061
			\$ 2,932,541	711,061	3,643,602

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, 2015

Appropriation	Beginning Date	Ending Date	Original Amount	Funds Expended	Funds Remaining
SAP 13-1461-STB	10/15/2013	06/30/2017	100,000	Unknown	Unknown
SAP 13-L-1725	10/7/2013	06/30/2016	60,000	Unknown	Unknown
SAP 14-L-1945	8/4/2014	06/30/2017	89,167	Unknown	Unknown

Note: It was not possible to complete the grant testwork. We have disclaimed an opinion. As a result, the figures above are unknown.

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
June 30, 2015

RFB#/RFP# State-Wide Price Agreement#	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of <u>ALL</u> Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
	RFB	D&R Tank	\$142,481.20		1210 Prosperity Albuquerque, NM	In-State Y	N	Rehab of 111,000 gallon water storage tank
	RFB	Riley Industrial Services Inc	\$187,397.66		2615 San Juan Blvd. Farmington, NM	In-State Y	N	Rehab of 111,000 gallon water storage tank
	RFB	Renegade Constructon LLC	\$492,931.00		POB 830 Fairacres, NM	In-State Y	N/A	Iron piping & asbestos abatement
	RFB	Sierra Valley Contractors LLC			PO Box 3831 Truth or Consequences, NM	In-State Y	N/A	Iron piping & asbestos abatement
	RFB	Sundance Mechanical and Utility Corp.			4400 Alameda NE Suite E, Albuquerque, NM	In-State Y	N/A	Iron piping & asbestos abatement
	RFB	Maxtek Contractors Inc			2201 Phoenix Dr NE, Albuquerque, NM	In-State Y	N/A	Iron piping & asbestos abatement
	RFB	Adame Construction	\$622,524.93		56 Bonita Vista Blvd, Los Lunas, NM	In-State Y	N/A	Iron piping & asbestos abatement
	RFB	NM Underground Contractors Inc	\$580,457.35		5130 2nd St NW, Albuquerque, NM	In-State Y	N/A	Iron piping & asbestos abatement

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. Timothy Keller, New Mexico State Auditor and
Dennis Haskell, 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, 2015, 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 September 1, 2016. Our report disclaims an opinion on such financial statements because the Village did not provide sufficient, appropriate, and complete audit evidence to the auditor. As a result, the auditor was not able to complete the work necessary to provide and opinion on the financial statements as a whole.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Mr. Timothy Keller, New Mexico State Auditor and
Dennis Haskell, Mayor and
The Board of Trustees
Village of Capitan, New Mexico

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2015-001 and 2015-004.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2015-002 and 2015-003.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Village we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 2015-005, 2015-006, and 2015-007. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Village's Response to Findings

The Village's response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it

Mr. Timothy Keller, New Mexico State Auditor and
Dennis Haskell, Mayor and
The Board of Trustees
Village of Capitan, New Mexico

Purpose of this Report

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.

A handwritten signature in cursive script that reads "Perch & Associates LLC".

Albuquerque, New Mexico
September 1, 2016

VILLAGE OF CAPITAN, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

None

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2015

2015-001 Sufficiency and Completeness of Accounting Records – Material Weakness

Condition: The Village did not provide appropriate, sufficient, and complete accounting records to the auditor. As a result, it was not possible for the auditor to give an opinion on the financial statements. The specifics are as follows:

The audit of the Village's June 30, 2015 financial statements was scheduled to begin October 21, 2016. During audit testwork the auditor found the following problems with the Village's books and records:

- Cash balances were misstated by \$101,868.
- Tax revenue had not been recorded properly. In addition, some of the records necessary to test taxes receivable were not available.
- The Village had not conducted the required yearly capital asset inventory. The Village did not have a capital asset listing or a listing of additions and deletions. Depreciation had not been calculated or recorded for the year.
- Grant files were not kept in a manner that allowed them to be audited. In addition, grant activity had not been recorded in the trial balance.
- The Village did not have an accounts receivable listing which agreed to the trial balance.
- Debt payments had not been posted correctly.
- Interfund transfers did not balance.
- Fund balance did not roll forward from the prior year's audit.

The auditor discussed these issues with the Village Clerk, the Deputy Clerk/Finance Officer, and the Mayor (Management). At that time, the auditor's determination was that the Village's employees did not possess suitable knowledge or experience (SKE) to prepare the accounting records. The auditor discussed with Management their options, which was either to receive a disclaimer for lack of SKE, or hire an outside certified public accountant (CPA) to correct the Village's books and records and deliver them to the auditor. Management decided they would hire a CPA and have the books and records corrected and delivered to the auditor.

The auditor received corrected books and records from the Village's CPA in February 2016. The auditor went back to the Village on May 16, 2016 to re-audit the Village. During audit testwork it was found that there were still material errors in the Village's books and records. The auditor discussed these areas with the Village Clerk and Mayor, and asked that the Village CPA make further corrections to the books and records.

**VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2015**

2015-001 Sufficiency and Completeness of Accounting Records – Material Weakness (Continued)

On August 22, 2016, the Village sent a status update letter to the New Mexico Office of the State Auditor. Both the Village and Porch & Associates LLC agreed to the terms of the letter. The letter listed the items that needed to be received by the auditor by 5:00 pm on August 26, 2016. The letter stated that the auditor would disclaim an opinion and issue the audit report if the items were not delivered by the due date, or were not complete and accurate.

The Village did not deliver the required items to the auditor by the due date. As a result, the auditor did not have the necessary records to complete the audit. The auditor then disclaimed an opinion and issued the audit.

Criteria: The Village should keep complete and sufficient accounting records to support the recording of transactions in the general ledger.

Effect: The financial statements of the Village are materially misstated.

Cause: Management of the Village does not possess suitable knowledge or experience regarding governmental accounting. As a result, they do not possess the ability to prepare the accounting records, or to oversee the work of the CPA they hired.

Auditor's Recommendations: The Village should obtain governmental accounting training for Management. In addition, the Village should hire an outside CPA to review the monthly financial statements for errors and omissions.

Management's Response: A Finance Officer has been hired as of August 2016; she has eleven years of experience regarding governmental accounting at the Municipal level. The Village Clerk is also willing to obtain training in governmental accounting.

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015

2015-002 Excess of Expenditures Over Authorized Budget – Significant Deficiency

Condition: The Village's expenditures exceeded the authorized budget in the following funds:

- Lodger's tax fund by \$853
- Law enforcement protection fund by \$52,379
- Solid waste enterprise fund by \$3,494

Criteria: Section 6-6-6, NMSA 1978, required the Village to keep expenditures within budgeted amounts.

Effect: The Village may not have precise information for planning the activities and cash flows in the funds that are over budget.

Cause: Insufficient budget tracking procedures. The Village's accounting records are incomplete and inaccurate.

Auditor's Recommendations: The Village should develop a process to ensure that funds do not exceed their budgets.

Management's Response: The Finance Officer will prepare the budget. We are developing a process for planning and tracking the budget that is less cumbersome and is more streamlined so that tracking the budget is a simpler and clearer process. The Village plans to have the issue solved by November 1, 2016.

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015

2015-003 Interfund Operating Transfers – Significant Deficiency

Condition: The Village's interfund operating transfers do to balance between funds.

Criteria: Generally accepted accounting principles require transfers to balance.

Effect: The Village's income or expense in the effected funds may be inaccurate.

Cause: Insufficient transfer tracking procedures. The Village's review of the monthly financial statements is inadequate.

Auditor's Recommendations: The Village should develop a process to ensure that transfers balance.

Management's Response: The CPA for the Village taught all clerks how to correctly enter transfers. The Finance Officer we hired has the experience to provide oversight and to review monthly financial statements.

VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015

2015-004 Capital Asset Inventory – Material Weakness

Condition: The Village's did not perform the required yearly capital asset inventory.

Criteria: Section 12-6-10 NMSA 1978 requires each local public body to perform a yearly inventory of capital assets.

Effect: The Village did not have a complete capital asset listing available for the audit. As a result the yearly additions and deletions were not added to capital asset balances, and yearly depreciation has not been recorded.

Cause: The Village has inadequate experience in governmental accounting and the requirements of the State Auditor Rule.

Auditor's Recommendations: The Village should develop a process to ensure the required yearly capital asset inventory is completed.

Management's Response: The Village has a process to ensure the required yearly capital asset inventory is certified and complete. Based on the process, the inventory has been updated and will be kept current. The Village Clerk and Finance Officer will be responsible for making sure this issue is fixed.

**VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015**

2015-005 Budget Reporting – Other Matter

Condition: During our testwork over budget compliance we found that the Village did not file budget adjustment requests for all adjustments made to the Village's budget.

Criteria: Budget adjustment requests should be submitted to and approved by the New Mexico Department of Finance Local Government Division.

Effect: The Village made unauthorized adjustments to its budget.

Cause: The Village has inadequate experience in governmental accounting and the requirements of the budget rules of the New Mexico Department of Finance Local Government Division.

Auditor's Recommendations: The Village should develop a process to ensure all budget adjustments are approved.

Management's Response: The current Finance Officer understands the required step for budget adjustment requests. All budget adjustment requests are now filed correctly with approval from the Governing Body by resolution and New Mexico Department of Finance Local Government Division.

**VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015**

***OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978***

2015-006 PERA Reporting and Payments – Other Matters

Condition: During our testwork over payroll we found that for one of the twenty-six payrolls processed by the Village during the year, the Village over-withheld and overpaid to PERA. The total overpayment was \$13.55.

Criteria: PERA rules state the required employee and employer amounts to withhold and remit.

Effect: The Village has overpaid PERA.

Cause: The Village has inadequate review of payroll reporting and records.

Auditor's Recommendations: The Village should develop a process to ensure PERA is properly calculated and remitted.

Management's Response: The Village Clerk has corrected the calculations for PERA. The Finance Officer will be responsible for making sure that the calculations are correct at the end of each pay period.

**VILLAGE OF CAPITAN, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015**

***OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978***

2015-007 Late Audit Report – Other Matters

Condition: The Village did not submit its audit by the December 15, 2015 deadline required by the New Mexico State Auditor's Audit Rule.

Criteria: Municipal audits must be submitted to the New Mexico State Auditor by December 15th.

Effect: The Village may be ineligible for state or federal funding.

Cause: Please read finding 2015-001 for the reasons for the late audit.

Auditor's Recommendations: Deliver complete and sufficient audit evidence to the auditor early enough in the year for the auditor to complete the audit by the due date.

Management's Response: The Village is in the process of streamlining and simplifying the current record keeping process so that records are more accessible. The Finance Officer will be responsible for making sure these changes are made by November 1, 2016.

VILLAGE OF CAPITAN, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2015

An exit conference was held on September 8, 2016, and attended by the following:

Village of Capitan, New Mexico

Dennis Haskell, Mayor
Jean Coulton, Trustee
Laura McInnes, Village Clerk
Gina Sterrett, Deputy Clerk/Finance Officer

Porch & Associates LLC

Thad Porch, Managing Principal

* * * * *

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.