

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
JUNE 30, 2016**

INTRODUCTORY SECTION

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VILLAGE OF CAPITAN
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JUNE 30, 2016**

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VILLAGE OF CAPITAN
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**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
OFFICIAL ROSTER
JUNE 30, 2016**

VILLAGE COUNCIL

Name	Title
Dennis Haskell	Mayor
Diane Riska	Mayor Pro-tem
Jean Coulton	Trustee
Ricky LaMay	Trustee
Scott Sabo	Trustee

VILLAGE OFFICIALS

Name	Title
Laura McInness	Village Clerk

FINANCIAL SECTION



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, New Mexico State Auditor, and
Honorable Mayor and Councilors of
Village of Capitan
Capitan, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the General Fund, and the major special revenue fund of the Village of Capitan, New Mexico as of and for the year ended June 30, 2016, 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 have also audited the financial statements of each of the Village's nonmajor governmental funds, and the nonmajor fund and enterprise fund budgetary comparisons presented as supplemental information, as defined by the Government Accounting Standards Board, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

1035 Mechem Drive
Ruidoso, NM 88345

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Capitan, New Mexico as of June 30, 2016, and, the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the Village as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the nonmajor and enterprise funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the schedule of the Village's proportionate share of the net pension liability and the schedule of the Village's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Management has elected to omit the MD&A for the year ended June 30, 2016, which is required to be presented to supplement the basic financial statements by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting. Our opinion on the basic financial statements is not affected by this omitted information.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The supplemental information as noted in the table of contents required by Section 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 auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedules of Vendor Expenditures required by Section 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2017 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.



Scott Northam, CPA, PC
Ruidoso, New Mexico
July 17, 2017

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 2,433,461	\$ 1,218,142	\$ 3,651,603
LGIP Investment	8,895	2,264	11,159
NMFA Project Funds	-	25,480	25,480
Accounts Receivable, Net	-	68,898	68,898
Inventory	-	11,016	11,016
Taxes Receivable			
Gross Receipts	108,228	-	108,228
Franchise	7,845	-	7,845
Property	13,575	-	13,575
Other	259	-	259
Total Current Assets	<u>2,572,263</u>	<u>1,325,800</u>	<u>3,898,063</u>
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	-	39,995	39,995
Capital Assets, Net	<u>5,379,335</u>	<u>8,190,536</u>	<u>13,569,871</u>
Total Noncurrent Assets	<u>5,379,335</u>	<u>8,230,531</u>	<u>13,609,866</u>
Total Assets	<u>7,951,598</u>	<u>9,556,331</u>	<u>17,507,929</u>
DEFERRED OUTFLOWS OF RESOURCES			
NMFA Grant Funds Available	-	212,528	212,528
Net Pension Liability Deferred Outflows	21,714	-	21,714
Post Measurement Date Employer Contributions	<u>13,903</u>	<u>-</u>	<u>13,903</u>
Total Deferred Outflows	<u>35,617</u>	<u>212,528</u>	<u>248,145</u>
Total Assets and Deferred Outflows	<u><u>\$ 7,987,215</u></u>	<u><u>\$ 9,768,859</u></u>	<u><u>\$ 17,756,074</u></u>

	Governmental Activities	Business-Type Activities	Total
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 55,642	\$ 39,299	\$ 94,941
Payroll Liabilities Payable	19,341	-	19,341
Insurance Proceeds Payable	29,453	-	29,453
Accrued Sales Tax	-	11,576	11,576
Accrued Interest	-	14,378	14,378
Accrued Compensated Absences	8,253	4,267	12,520
Current Portion of Long-Term Debt	12,688	26,251	38,939
Total Current Liabilities	<u>125,377</u>	<u>95,771</u>	<u>221,148</u>
NONCURRENT LIABILITIES			
Customer Deposits	-	34,775	34,775
Long-Term Debt, Net of Current Portion	40,465	796,336	836,801
Net Pension Liability	125,503	-	125,503
Total Noncurrent Liabilities	<u>165,968</u>	<u>831,111</u>	<u>997,079</u>
Total Liabilities	291,345	926,882	1,218,227
DEFERRED INFLOW OF RESOURCES			
Net Pension Liability Deferred Inflows	5,540	-	5,540
NMFA Grant Funds Available	-	205,028	205,028
Total Deferred Inflows of Resources	<u>5,540</u>	<u>205,028</u>	<u>210,568</u>
NET POSITION			
Net Investment in Capital Assets	5,326,182	7,367,949	12,694,131
Restricted for:			
Special Revenue Funds	8,516	-	8,516
Unrestricted	2,355,632	1,269,000	3,624,632
Total Net Position	<u>7,690,330</u>	<u>8,636,949</u>	<u>16,327,279</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 7,987,215</u>	<u>\$ 9,768,859</u>	<u>\$ 17,756,074</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Primary Government</i>				
Governmental Activities:				
General Administration	\$ 220,681	\$ 7,781	\$ 185,154	\$ -
Streets	262,333	-	60,597	167,736
Public Works	16,542	-	-	286,742
Public Safety	353,164	-	21,800	200,674
Culture and Recreation	5,043	-	6,784	-
Judicial	33,193	4,840	-	-
Depreciation	374,677	-	-	-
<i>Total Governmental Activities</i>	1,265,633	12,621	274,335	655,152
Business-Type Activities:				
Smokey Bear Enterprise Fund	56,287	61,981	-	-
Solid Waste Fund	207,531	191,211	-	-
Utility Water & Sewer Fund	714,877	567,900	-	402,721
Interest and Fiscal Charges	33,226	-	-	-
<i>Total Business-Type Activities</i>	1,011,921	821,092	-	402,721
Total - Primary Government	\$ 2,277,554	\$ 833,713	\$ 274,335	\$ 1,057,873

General Revenues

Taxes:

- Gross Receipts
- Infrastructure Gross Receipts
- Franchise
- Property
- Gasoline
- Lodger's
- Lease Revenue
- Miscellaneous
- Interest

Total General Revenues

Change in Net Position

Beginning Net Position - Previously Reported

Prior Period Adjustments

Beginning Net Position - As Adjusted

Net Position End of Year

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (27,746)	\$ -	\$ (27,746)
(34,000)	-	(34,000)
270,200	-	270,200
(130,690)	-	(130,690)
1,741	-	1,741
(28,353)	-	(28,353)
(374,677)	-	(374,677)
<u>(323,525)</u>	<u>-</u>	<u>(323,525)</u>
-	5,694	5,694
-	(16,320)	(16,320)
-	255,744	255,744
-	(33,226)	(33,226)
<u>-</u>	<u>211,892</u>	<u>211,892</u>
<u>(323,525)</u>	<u>211,892</u>	<u>(111,633)</u>
690,709	-	690,709
33,236	-	33,236
39,419	-	39,419
83,449	-	83,449
17,306	-	17,306
5,630	-	5,630
-	108,816	108,816
13,360	-	13,360
8,780	5,031	13,811
<u>891,889</u>	<u>113,847</u>	<u>1,005,736</u>
<u>568,364</u>	<u>325,739</u>	<u>894,103</u>
6,956,055	8,083,197	15,039,252
<u>165,911</u>	<u>228,013</u>	<u>393,924</u>
<u>7,121,966</u>	<u>8,311,210</u>	<u>15,433,176</u>
<u>\$ 7,690,330</u>	<u>\$ 8,636,949</u>	<u>\$ 16,327,279</u>

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Fire Protection Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
ASSETS				
Cash and Cash Equivalents	\$ 2,130,221	\$ 98,368	\$ 204,872	\$ 2,433,461
LGIP Investment	8,895	-	-	8,895
Taxes Receivable				
Gross Receipts	100,772	-	7,456	108,228
Franchise	7,845	-	-	7,845
Property, Net	5,778	-	-	5,778
Other	259	-	-	259
Due from Other Funds	-	-	23,519	23,519
Total Assets	\$ 2,253,770	\$ 98,368	\$ 235,847	\$ 2,587,985
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 55,642	\$ -	\$ -	\$ 55,642
Payroll Liabilities Payable	19,341	-	-	19,341
Insurance Proceeds Payable	29,453	-	-	29,453
Due to Other Funds	23,519	-	-	23,519
Total Liabilities	127,955	-	-	127,955
 DEFERRED INFLOW OF RESOURCES				
Property Taxes	5,778	-	-	5,778
Total Deferred Inflows	5,778	-	-	5,778
 FUND BALANCES				
Restricted	-	98,368	178,566	276,934
Committed	-	-	48,765	48,765
Assigned	-	-	8,516	8,516
Unassigned	2,120,037	-	-	2,120,037
Total Fund Balances	2,120,037	98,368	235,847	2,454,252
Total Liabilities Deferred Inflows, and Fund Balances	\$ 2,253,770	\$ 98,368	\$ 235,847	\$ 2,587,985

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
RECONCILIATION OF GOVERNMENTAL FUNDS
FUND BALANCE TO GOVERNMENT ACTIVITIES
NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds	\$	2,454,252
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,379,335
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Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements but are considered revenue in the Statement of Activities.		13,575
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Certain liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds. Those long-term liabilities include:

Accrued Compensated Absences	(8,253)	
Notes and Bonds Payable	<u>(53,153)</u>	(61,406)

Net Pension Liability and deferred outflows and inflows of resources related to the pension are applicable to future periods, and therefore are not included in the governmental funds.

Contributions Subsequent to the Measurement Date	13,903	
NPL Deferred Outflows	21,714	
NPL Deferred Inflows	(5,540)	
Net Pension Liability	<u>(125,503)</u>	(95,426)

Net Position of Governmental Activities	\$	<u>7,690,330</u>
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**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	General Fund	Fire Protection Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes				
Gross Receipts	\$ 674,094	\$ -	\$ 16,615	\$ 690,709
Infrastructure Gross Receipts	-	-	33,236	33,236
Franchise	39,419	-	-	39,419
Property	77,671	-	-	77,671
Gasoline	-	-	17,306	17,306
Lodger's	-	-	5,630	5,630
Intergovernmental				
State				
Small Cities Assistance	185,154	-	-	185,154
Operating Grants	67,381	-	21,800	89,181
Capital Grants	220,490	147,920	286,742	655,152
Charges for Service	845	-	-	845
Miscellaneous	12,477	-	883	13,360
Licenses, Fees and Permits	6,936	-	-	6,936
Fines and Forfeits	2,210	-	2,630	4,840
Interest	7,423	617	740	8,780
	<u>1,294,100</u>	<u>148,537</u>	<u>385,582</u>	<u>1,828,219</u>
Total Revenues				
EXPENDITURES				
Current				
General Administration	231,016	-	-	231,016
Streets	237,744	-	24,589	262,333
Public Works	-	-	16,542	16,542
Public Safety	285,852	38,282	22,741	346,875
Culture and Recreation	-	-	5,043	5,043
Judicial	33,193	-	-	33,193
Capital Outlay	<u>160,591</u>	<u>328,491</u>	<u>-</u>	<u>489,082</u>
	<u>948,396</u>	<u>366,773</u>	<u>68,915</u>	<u>1,384,084</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	345,704	(218,236)	316,667	444,135
Fund Balance, Beginning of Year	<u>1,774,333</u>	<u>316,604</u>	<u>(80,820)</u>	<u>2,010,117</u>
Fund Balance, End of Year	<u>\$ 2,120,037</u>	<u>\$ 98,368</u>	<u>\$ 235,847</u>	<u>\$ 2,454,252</u>

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net Changes in Fund Balance - Governmental Funds **\$ 444,135**

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

Governmental funds report capital outlays over \$5,000 as expenditures in the Governmental Funds, but the cost of those assets is reported as capital assets in the Statement of Net Position. 489,082

Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements but are considered revenue in the Statement of Activities. 5,778

Depreciation Expense allocated the cost of capital assets over their useful lives in the Statement of Activities, but the cost of the capital assets has already been expended in prior periods in the Governmental Funds. (374,677)

Changes in compensated absences are reported as a liability on the Statement of Net Position but are reported as used in the Governmental Funds. 10,335

Changes in the Net Pension Liability and deferred outflows and inflows of resources related to the pension are expended in the Statement of Activities but applicable to future periods in the Governmental Funds, and therefore are not included in the Governmental Funds. (6,289)

Change in Net Position of Governmental Activities **\$ 568,364**

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Gross Receipts	\$ 510,000	\$ 510,000	\$ 674,094	\$ 164,094
Franchise	36,000	36,000	39,419	3,419
Property	71,704	71,704	65,133	(6,571)
Other	2,500	2,500	-	(2,500)
Intergovernmental				
State				
Small Cities Assistance	250,000	250,000	185,154	(64,846)
Operating Grants	-	-	67,381	67,381
Capital Grants	-	-	220,490	220,490
Charges for Service	3,925	3,925	845	(3,080)
Miscellaneous	87,273	87,273	12,477	(74,796)
Licenses, Fees and Permits	3,650	3,650	6,936	3,286
Fines and Forfeits	5,000	5,000	2,210	(2,790)
Interest	6,400	6,400	7,423	1,023
Total Revenues	<u>976,452</u>	<u>976,452</u>	<u>1,281,562</u>	<u>305,110</u>
EXPENDITURES				
Current				
General Administration	244,102	244,102	196,431	47,671
Streets	337,015	337,015	237,744	99,271
Public Safety	305,870	305,870	285,852	20,018
Judicial	55,386	55,386	33,193	22,193
Capital Outlay	<u>73,775</u>	<u>73,775</u>	<u>160,591</u>	<u>(86,816)</u>
Total Expenditures	<u>1,016,148</u>	<u>1,016,148</u>	<u>913,811</u>	<u>102,337</u>
Excess (Deficiency) of Revenues over Expenditures	(39,696)	(39,696)	367,751	407,447
Cash Balance, Beginning of Year	<u>1,762,470</u>	<u>1,762,470</u>	<u>1,762,470</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 1,722,774</u>	<u>\$ 1,722,774</u>	<u>\$ 2,130,221</u>	<u>\$ 407,447</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 367,751	
Change in:				
Taxes Receivable			12,538	
Accounts Payable			(2,311)	
Payroll Liabilities Payable			2,523	
Insurance Proceeds Payable			(29,453)	
Due to Other Funds			<u>(5,344)</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 345,704</u>	

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

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FIRE PROTECTION FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
State				
Capital Grants	\$ 437,168	\$ 437,168	\$ 147,920	\$ (289,248)
Interest	1,050	1,050	617	(433)
Total Revenues	438,218	438,218	148,537	(289,681)
EXPENDITURES				
Current				
Public Safety	-	-	38,282	(38,282)
Capital Outlay	434,000	434,000	328,491	105,509
Total Expenditures	434,000	434,000	366,773	67,227
Excess (Deficiency) of Revenues over Expenditures	4,218	4,218	(218,236)	(222,454)
Cash Balance, Beginning of Year	316,604	316,604	316,604	-
Cash Balance, End of Year	\$ 320,822	\$ 320,822	\$ 98,368	\$ (222,454)
Reconciliation to GAAP Basis				
Deficiency of Revenues over Expenditures - Budget Basis			\$ (218,236)	
Deficiency of Revenues over Expenditures - GAAP Basis			\$ (218,236)	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	Smokey Bear Enterprise Fund	Solid Waste Fund	Utility Water & Sewer Fund	Total Funds
ASSETS AND DEFERRED OUTFLOWS				
Current Assets				
Unrestricted Cash and Cash Equivalents	\$ 63,798	\$ 6,796	\$ 1,147,548	\$ 1,218,142
LGIP Investment	-	-	2,264	2,264
NMFA Project Funds	-	-	25,480	25,480
Accounts Receivable, Net	-	16,206	52,692	68,898
Inventory	11,016	-	-	11,016
Total Current Assets	<u>74,814</u>	<u>23,002</u>	<u>1,227,984</u>	<u>1,325,800</u>
Noncurrent Assets				
Restricted Cash and Cash Equivalents				
Customer Deposits	-	-	39,995	39,995
Capital Assets, Net	942	-	8,189,594	8,190,536
Total Noncurrent Assets	<u>942</u>	<u>-</u>	<u>8,229,589</u>	<u>8,230,531</u>
Deferred Outflows				
NMFA Grant Funds Available	-	-	212,528	212,528
Total Deferred Outflows	<u>-</u>	<u>-</u>	<u>212,528</u>	<u>212,528</u>
Total Assets and Deferred Outflows	<u>\$ 75,756</u>	<u>\$ 23,002</u>	<u>\$ 9,670,101</u>	<u>\$ 9,768,859</u>

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

	Smokey Bear Enterprise Fund	Solid Waste Fund	Utility Water & Sewer Fund	Total Funds
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ -	\$ 39,299	\$ -	\$ 39,299
Accrued Sales Tax	978	-	10,598	11,576
Accrued Interest	-	-	14,378	14,378
Accrued Compensated Absences	688	-	3,579	4,267
Current Portion of Long-Term Debt	-	-	26,251	26,251
Total Current Liabilities	<u>1,666</u>	<u>39,299</u>	<u>54,806</u>	<u>95,771</u>
Noncurrent Liabilities				
Customer Deposits	-	-	34,775	34,775
Long-Term Debt, Net of Current Portion	-	-	796,336	796,336
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>831,111</u>	<u>831,111</u>
Total Liabilities	<u>1,666</u>	<u>39,299</u>	<u>885,917</u>	<u>926,882</u>
Deferred Inflows				
NMFA Grant Funds Available	-	-	205,028	205,028
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>205,028</u>	<u>205,028</u>
NET POSITION				
Net Investment in Capital Assets	942	-	7,367,007	7,367,949
Unrestricted	73,148	(16,297)	1,212,149	1,269,000
Total Fund Net Position	<u>74,090</u>	<u>(16,297)</u>	<u>8,579,156</u>	<u>8,636,949</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 75,756</u>	<u>\$ 23,002</u>	<u>\$ 9,670,101</u>	<u>\$ 9,768,859</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Smokey Bear Enterprise Fund	Solid Waste Fund	Utility Water & Sewer Fund	Total Funds
OPERATING REVENUES				
Sales	\$ 56,507	\$ -	\$ -	\$ 56,507
Charges for Services				
Water	-	-	458,293	458,293
Sewer	-	-	64,785	64,785
Sanitation	-	191,211	-	191,211
Late Fees	-	-	13,128	13,128
Other Revenue	5,474	-	31,694	37,168
	<u>61,981</u>	<u>191,211</u>	<u>567,900</u>	<u>821,092</u>
Total Operating Revenues				
OPERATING EXPENSES				
Personnel Services and Benefits	23,241	-	248,173	271,414
Professional and Contracted Services	3,260	206,812	20,260	230,332
Supplies and Materials	25,525	-	71,614	97,139
Occupancy, Repairs and Maintenance	3,645	-	134,588	138,233
Other Expenses	370	719	26,454	27,543
Depreciation	246	-	213,788	214,034
	<u>56,287</u>	<u>207,531</u>	<u>714,877</u>	<u>978,695</u>
Total Operating Expenses				
Operating Income/(Loss)	5,694	(16,320)	(146,977)	(157,603)
NONOPERATING REVENUE (EXPENSES)				
State Grant Proceeds	-	-	402,721	402,721
Water Rights Lease	-	-	108,816	108,816
Interest Income	198	73	4,760	5,031
Interest Expense	-	-	(33,226)	(33,226)
	<u>198</u>	<u>73</u>	<u>483,071</u>	<u>483,342</u>
Total Nonoperating Revenue (Expenses)				
Change in Net Position	5,892	(16,247)	336,094	325,739
Beginning Net Position - Previously Reported	68,445	39,249	7,975,503	8,083,197
Prior Period Adjustment	(247)	(39,299)	267,559	228,013
Beginning Net Position - As Adjusted	68,198	(50)	8,243,062	8,311,210
Net Position, End of Year	<u>\$ 74,090</u>	<u>\$ (16,297)</u>	<u>\$ 8,579,156</u>	<u>\$ 8,636,949</u>

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Smokey Bear Enterprise Fund	Solid Waste Fund	Utility Water & Sewer Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 58,328	\$ 191,211	\$ 543,622	\$ 793,161
Payments to and on Behalf of Employees	(23,623)	-	(251,371)	(274,994)
Payments to Suppliers and Contractors	<u>(32,800)</u>	<u>(207,531)</u>	<u>(252,916)</u>	<u>(493,247)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,905</u>	<u>(16,320)</u>	<u>39,335</u>	<u>24,920</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Interest Paid	-	-	(33,226)	(33,226)
Principal Payments on Debt Obligations	<u>-</u>	<u>-</u>	<u>(20,850)</u>	<u>(20,850)</u>
Net Cash Used by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(54,076)</u>	<u>(54,076)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	198	73	4,760	5,031
Water Rights Lease Income	-	-	108,816	108,816
Capital Grant Proceeds	-	-	415,782	415,782
Capital Asset Purchases	<u>-</u>	<u>-</u>	<u>(483,723)</u>	<u>(483,723)</u>
Net Cash Provided (Used) by Investing Activities	<u>198</u>	<u>73</u>	<u>45,635</u>	<u>45,906</u>
NET CHANGE IN CASH	2,103	(16,247)	30,894	16,750
CASH AT BEGINNING OF YEAR	<u>61,695</u>	<u>23,043</u>	<u>1,156,649</u>	<u>1,241,387</u>
CASH AT END OF YEAR	<u>\$ 63,798</u>	<u>\$ 6,796</u>	<u>\$ 1,187,543</u>	<u>\$ 1,258,137</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Loss	\$ 5,694	\$ (16,320)	\$ (146,977)	\$ (157,603)
Adjustments to Reconcile Operating Loss to Cash Provided by Operating Activities:				
Depreciation	246	-	213,788	214,034
Changes In:				
Accounts Receivable	-	-	(32,533)	(32,533)
Customer Deposits	-	-	590	590
Accrued Payroll	(124)	-	(884)	(1,008)
Accrued Sales Tax	(3,653)	-	7,665	4,012
Accrued Compensated Absences	<u>(258)</u>	<u>-</u>	<u>(2,314)</u>	<u>(2,572)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,905</u>	<u>\$ (16,320)</u>	<u>\$ 39,335</u>	<u>\$ 24,920</u>
Reconciliation to the Balance Sheet				
Unrestricted	\$ 63,798	\$ 6,796	\$ 1,147,548	\$ 1,218,142
Restricted	<u>-</u>	<u>-</u>	<u>39,995</u>	<u>39,995</u>
CASH AT END OF YEAR	<u>\$ 63,798</u>	<u>\$ 6,796</u>	<u>\$ 1,187,543</u>	<u>\$ 1,258,137</u>
Supplemental Cash Flow Disclosures				
Interest Paid	\$ -	\$ -	\$ 33,226	\$ 33,226

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016**

	Court Escrow Fund	Court Fund	Motor Vehicle Fund	Total Agency Funds
ASSETS				
ASSETS				
Cash and Cash Equivalents	<u>\$ 830</u>	<u>\$ 561</u>	<u>\$ 508</u>	<u>\$ 1,899</u>
Total Assets	<u><u>\$ 830</u></u>	<u><u>\$ 561</u></u>	<u><u>\$ 508</u></u>	<u><u>\$ 1,899</u></u>
LIABILITIES				
LIABILITIES				
Due to Other Agencies	<u>\$ 830</u>	<u>\$ 561</u>	<u>\$ 508</u>	<u>\$ 1,899</u>
Total Liabilities	<u><u>\$ 830</u></u>	<u><u>\$ 561</u></u>	<u><u>\$ 508</u></u>	<u><u>\$ 1,899</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This following summary presentation of significant accounting policies of the Village of Capitan (the Village) is to assist in the understanding of the Village's financial statements. The financial statements and notes are the representation of the Village's management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units and the Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures, and Financial Accounting Standards Board (FASB) pronouncements applicable to governmental agencies.

Organization - The Village is a political subdivision of the State of New Mexico and was incorporated under provisions of Chapter 3, Article 2, NMSA 1978 as amended. The Village operates under the mayor-trustee form of government. The Village provides the following authorized services: public safety (police and fire), highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, and general administrative services. The Village's basic financial statements include all activities and accounts of the Village's financial reporting entity.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The GASB 14 definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the GASB 14 criteria above, there are no component units of the Village, nor is the Village considered a component unit of another governmental agency during the fiscal year ended June 30, 2016.

Measurement Focus, Basis of Accounting, Financial Statement Presentation

Government-wide Financial Statements - The basic financial statements include both government-wide (based on the Village as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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, relies on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In accordance with GASB Statement No. 33, the Village follows the following revenue recognition principles applied to non-exchange 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, gasoline, and cigarette taxes.
- Imposed non-exchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.
- Property tax revenue is recorded on an accrual basis and the revenue is recognized in the fiscal year for which the taxes are levied.
- Government-mandated non-exchange transactions and voluntary non-exchange 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.

The Village considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. 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 due.

Property, franchise, sales and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Taxes and other items not properly included among program revenues are reported as general revenues. Grants and similar items are recognized as revenue as soon as all the eligibility requirements of time, reimbursement, and contingencies imposed by the provider are met.

The Lincoln County Treasurer levies and collects property taxes on behalf of the Village. Property taxes are levied in November and are payable in two installments, half on November 10, which becomes delinquent on December 10, and half on April 10, which becomes delinquent on May 10, which is also the lien date.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Investment earnings are recorded as earned since they are measurable and available.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity; 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity.

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is a specifically identified function and is included as a separate line item on the Statement of Activities rather than a direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Transfers between funds and other internal activity are eliminated at the government-wide financial statements.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the governmental fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

Governmental Fund Financial Statements - Governmental fund level financial statements report activity using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. Revenue is recognized as soon as it is both measurable and available.

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. Management also has the option to report a fund as major even though it does not fit the criteria. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the Supplemental information section of the report.

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Village reports the following major governmental funds under the requirements of GASB 34:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

The **Fire Protection Fund** is a special revenue fund which accounts for the operations and maintenance of the Fire Department. Financing is provided by a State allotment. Also, this fund accounts for the proceeds and debt service for the loan from the New Mexico Finance Authority used to acquire, construct, design, equip and furnish a fire protection facility and to acquire equipment. The fund was authorized by Section 59A-53 NMSA 1978 and requires the allotment to be used only for fire related purposes.

Business-Type Activities – Business-Type Activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and on the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total position.

The Village reports the following major proprietary funds:

- The **Smokey Bear Enterprise Fund** accounts for the merchandise sales at the Smokey Bear Museum. Activities necessary for the operation of the museum gift shop, purchase and related sales of inventory are accounted for in this fund, as well as administrative, maintenance, and overhead expenditures of the museum.
- The **Solid Waste Fund** accounts for the solid waste fee collection within village limits and subsequent remittance to Greentree Solid Waste Authority, of which the Village is a member organization, with a representative on the Authority's board.
- The **Utility Water and Sewer Fund** is used to account for the provision of water and wastewater services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

Budgetary Information - Budgets for all funds are prepared by management and are approved by the Village Council and the New Mexico Department of Finance and Administration.

The village clerk is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide an approved budget. The comprehensive budget package is brought before the Village Council for approval by resolution.

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the original budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Exceeding the budgeted expenditures may result in an audit finding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

These budgets are prepared on the cash (non-GAAP) basis, and secure appropriation of funds for only one year. Carryover funds from the previous fiscal year are re-appropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only Village Council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been prepared in accordance with the above procedures.

Budget Violations – The Village exceeded the budgetary authority in the following funds: Solid Waste Fund - \$22,531; Utility Water & Sewer Fund - \$413,659, Lodger's Tax Fund - \$2,543; Law Enforcement Protection Fund - \$218; Environmental Gross Receipts Tax Fund - \$4,510.

Assets, Liabilities, Net Position or Fund Equity, Other Matters

Cash and Investments - Cash includes amounts in demand deposits and short-term investments. Cash deposits are reported at carrying amount, which reasonably estimates fair value. All investments are stated at fair value, which is determined by using selected bases. Interest income and realized gains and losses on investment transactions are included for financial statement purposes as investment income. NMFA and LGIP funds are considered investments for financial statement purposes.

Cash Flow Liquidity - For purposes of the statement of cash flows, the Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted Cash - The Village restricts a compensating amount of cash equal to the amount of the customer deposits held on hand. These reserves are not required but are separated by management.

Use of Restricted Cash - When the Village incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Grants and Contributions - The Village receives grants as well as contributions in the course of operations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Utility Receivables - Substantially all of the Village's outstanding utility receivables are due from its customers for water and sewer service and solid waste collection. Collateral is generally not required on receivables, but a deposit is required to activate new service.

Allowance for Doubtful Accounts – Management reviews the accounts receivable periodically to determine which accounts may not be collectible and adjust the account accordingly.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Customer Deposits - The Village requires a deposit to establish service for the customer. Deposits are not considered revenue for the Village unless or until the customer closes their account, at which time any remaining balance due on the account is deducted from the deposit and the customer is refunded the excess.

Concentration of Credit Risk - The Village grants credit without collateral to its customers for its services, but the customers are subject to security deposits at the start of service and service termination if the receivables are not settled within a specified time frame. The customer deposits held by the Village helps mitigate the credit risk.

Inventory - Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of items for resale in the museum gift shop. The consumption accounting method is used to record the Village's inventories. An asset is recorded when the supplies are purchased and the recognition of the expenditure is recorded when the item is sold.

Prepaid Items - Certain payments to vendors, if any, reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when used rather than purchased.

Property and Equipment - Capital assets which may include software, property, plant, equipment, vehicles, and infrastructure assets (e.g., building, roads, bridges, sidewalks, and similar items) are reported 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. Land owned by the Village is always capitalized.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* allows Phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Village has elected not to retroactively record infrastructure assets since being considered a Phase III municipality. However, it must report all infrastructure assets purchased or built after July 1, 2003.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

Assets of the Village are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings, Structures and Improvements	10-40
Water and Wastewater Systems	25
Infrastructure	25
Office and Maintenance Equipment	7
Vehicles	5

Analysis of Impairments - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2016.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities within the statement of net position. Issuance costs associated with notes are expensed in the year of issuance.

Long-term obligations are reported as debt in the proprietary funds. In the governmental funds, the long-term obligations are not reported as liabilities. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Even though the Village has appropriated, accumulated and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Deferred Outflows of Resources - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time, such as grants funds appropriated but not yet available for use.

Deferred Inflows of Resources - Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period.

- ***Government-Wide Statements*** - Unearned revenues represent the prepaid revenues advanced to the Village. Such advances are reported as unearned revenue until the earnings process is complete, such as grant funds appropriated but not drawn against.
- ***Fund Financial Statements*** - Within the governmental funds, revenues must be available in order to be recognized. Revenues, such as property taxes that have been assessed and remain uncollected, are reflected as unearned revenues if they are not available in the current period, which the Village has established as sixty days after year end.

Net Position - Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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 usage either through enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Governmental Funds 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:

- ***Non-spendable fund balance*** - amounts that are in a non-spendable form (such as inventory) or are required to be maintained intact.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- **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.

The Fire Protection Fund has Restricted Funds of \$98,368 consisting of intergovernmental revenues to be used for fire protection services and debt service on fire vehicles. The Cemetery, Corrections, Municipal Streets, Lodger's Tax, Juvenile Recreation, Environmental Gross Receipts Tax, and CDBG Senior Center funds have a fund balances restricted due to 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 type of action to remove or change the constraint.

The Fire Equipment fund has a fund balance committed due to Village resolution.

- **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.

The Smokey Bear Donation, Law Enforcement Protection, and Fire Donation funds have assigned balances. It is management's intent to use the fund balances for each fund's specific purpose.

- **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).

Proprietary Funds Net Position - The government-wide financial statements and proprietary funds utilize a net position presentation. Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position is reported in three categories:

- **Net investment in capital assets** - This category reflects the portion of net position that is associated with capital assets, net of accumulated depreciation reduced by the outstanding capital asset-related debt and adding back unspent proceeds.
- **Restricted net position** - This category reflects the portion of net position that has third party limitations on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Unrestricted net position** - This category reflects net position of the Village, not restricted for any project or other purpose.

Deficit Net Position - The Solid Waste Fund has a deficit net position at the fiscal year end in the amount of \$16,297, resulting from the Village not collecting enough in sanitation charges to cover the expenditures to the sanitation contractor.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Operating and Non-operating Revenues - Revenues are classified as operating or non-operating according to the following criteria:

Operating revenue - include activities which have the characteristic of exchange transactions, such as charges for services and fees, net of any allowance for uncollectible amounts.

Non-operating revenues - include activities which have the characteristics of non-exchange transactions, such as capital grants and investment income.

Interfund Activity - Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balances as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and/or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Expenses - Expenses are classified as operating or non-operating according to the following criteria:

Operating expenses - include activities that have the characteristics of exchange transactions such as employee salaries, benefits, and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to Village capital assets.

Non-operating expenses - include activities that have the characteristics of non-exchange transactions such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund or Special Revenue Funds

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management - The Village is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any preceding years. A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule covers the officials and certain employees of the Village.

Subsequent Events - FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2016, the Village had cash and cash equivalents on deposit with local financial institutions, consisting of non-interest and interest-bearing checking accounts and certificates of deposit. Checking accounts required for debt service or for grant purposes are prohibited from accruing interest. Following is a schedule as of June 30, 2016, of the cash and cash equivalents on deposit with financial institutions:

	Bank Balance June 30, 2016	Net Items Outstanding	Book Balance June 30, 2016
City Bank			
Interest-Bearing Checking Accounts:			
<i>Governmental Funds:</i>			
General Fund	\$ 1,546,054	\$ (39,076)	\$ 1,506,978
Payroll	152,155	(45,294)	106,861
Fire Protection	99,783	(1,415)	98,368
Cemetery	40,411	-	40,411
Corrections	17,781	-	17,781
Fire Equipment	48,765	-	48,765
Fire Donation	5,633	-	5,633
Municipal Streets	104,547	(24,351)	80,196
Lodger's Tax	8,336	(3,900)	4,436
Juvenile Recreation	3,899	-	3,899
Law Enforcement Protection	2,036	(1,984)	52
Smokey Bear Donation	2,831	-	2,831
Environmental Gross Receipts	<u>224</u>	<u>-</u>	<u>224</u>
Total Governmental Interest-Bearing Accounts	<u>2,032,455</u>	<u>(116,020)</u>	<u>1,916,435</u>
<i>Proprietary Funds</i>			
Smokey Bear Enterprise	61,544	2,254	63,798
Solid Waste	16,553	(9,757)	6,796
Water	632,932	103,707	736,639
Water Security	<u>38,320</u>	<u>1,675</u>	<u>39,995</u>
Total Proprietary Interest-Bearing Accounts	<u>749,349</u>	<u>97,879</u>	<u>847,228</u>
Total Interest-Bearing Accounts	2,781,804	(18,141)	2,763,663
Non-Interest-Bearing Checking Accounts:			
CDBG Senior Center	644	-	644
<i>Agency Funds</i>			
Court Escrow	830	-	830
Court	561	-	561
Motor Vehicle	<u>508</u>	<u>-</u>	<u>508</u>
Total Non-Interest-Bearing Accounts	<u>2,543</u>	<u>-</u>	<u>2,543</u>
Total – City Bank	<u>\$ 2,784,347</u>	<u>\$ (18,141)</u>	<u>\$ 2,766,206</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

	Bank Balance June 30, 2016	Net Items Outstanding	Book Balance June 30, 2016
Washington Federal			
Interest-Bearing Certificates of Deposit:			
<i>Governmental Funds:</i>			
General Fund	\$ 514,173	\$ -	\$ 514,173
Total Governmental Certificates of Deposit	<u>514,173</u>	<u>-</u>	<u>514,173</u>
<i>Proprietary Funds</i>			
Water Fund	308,504	-	308,504
Water Fund	<u>102,050</u>	<u>-</u>	<u>102,050</u>
Total Proprietary Certificates of Deposit	<u>410,554</u>	<u>-</u>	<u>410,554</u>
Total Certificates of Deposit	924,727	-	924,727
Interest-Bearing Checking Accounts:			
Clearing Account	<u>13,463</u>	<u>(11,199)</u>	<u>2,264</u>
Total Interest-Bearing Accounts	<u>13,463</u>	<u>(11,199)</u>	<u>2,264</u>
Total – Washington Federal	<u>\$ 938,190</u>	<u>\$ (11,199)</u>	<u>\$ 926,991</u>
	City Bank	Washington Federal	Totals
<u>Reconciliation to Financial Statements</u>			
Governmental Activities	\$ 1,917,079	\$ 516,382	\$ 2,433,461
Business-type Activities			
Unrestricted	807,233	410,609	1,217,842
Water & Sewer Fund Petty Cash	-	-	300
Restricted	<u>39,995</u>	<u>-</u>	<u>39,995</u>
Total Business-type Activities	<u>847,228</u>	<u>410,609</u>	<u>1,258,137</u>
Agency Funds	<u>1,899</u>	<u>-</u>	<u>1,899</u>
Total Cash and Cash Equivalents	<u>\$ 2,766,206</u>	<u>\$ 926,991</u>	<u>\$ 3,693,497</u>

Clearing Account – The Village uses the Washington Federal clearing account for both Governmental and Business-type activities for the deposit of cash funds received from daily operations and then disburse to the proper accounts. Governmental funds claim approximately \$2,209 of the funds on deposit with the Washington Federal clearing account, while the Business-type Activities claim the remaining \$55.

Restricted Cash - The Village has restricted \$39,995 in the Utility Water & Sewer Fund for customer deposits which is maintained in a separate bank account.

Collateralization - The FDIC provides coverage of up to \$250,000 for interest-bearing and non-interest-bearing demand accounts separately from an additional \$250,000 for interest-bearing time and savings accounts. Excess coverage from one category is not transferrable to the other. No security is required for the deposit of public money being insured by the Federal Deposit Insurance Corporation.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

In accordance with Section 6-10-17, NMSA 1978, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value.

	City Bank	Washington Federal	Totals
Deposits on Hand	\$ 2,784,347	\$ 938,190	\$ 3,722,537
Less FDIC Coverage	<u>(250,000)</u>	<u>(263,463)</u>	<u>(513,463)</u>
Uninsured Funds	2,534,347	674,727	3,209,074
 Pledged Collateral Held by the Pledging Bank's Trust Department or Agent	 <u>3,094,590</u>	 <u>707,772</u>	 <u>3,802,362</u>
Uninsured and (Over)/Under Collateralized	\$ <u>(560,243)</u>	\$ <u>(33,045)</u>	\$ <u>(593,288)</u>
 50% Pledged Collateral Requirement per Statute	 \$ 1,267,174	 \$ 337,364	 \$ 1,604,538
Pledged Collateral	<u>3,094,590</u>	<u>707,772</u>	<u>3,802,362</u>
(Over) Under Collateralized	\$ <u>(1,827,416)</u>	\$ <u>(370,408)</u>	\$ <u>(2,197,824)</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a formal deposit policy for custodial credit risk other than following state statutes. As of June 30, 2016, \$3,209,074 of the Village's bank balance of \$3,722,537 was exposed to custodial credit risk before applying the pledged collateral. The Federal Home Loan Bank in Dallas, Texas holds the securities pledged toward the Village from both City Bank and Washington Federal.

City Bank Pledged Collateral:	Maturity	Market Value	Par Value
FNMA Agency Bond – 3135GOVX8	09/26/2016	\$ 750,286	\$ 750,000
FFCB Agency Bond – 3133EDEB4	06/28/2017	100,384	100,000
FFCB Agency Bond – 3133EDEB4	06/28/2017	250,959	250,000
FNMA Agency Bond – 31359MZ22	10/18/2021	1,419,228	1,400,000
ALBUQUERQUE NM MUNI #12 GO – 03595LM3	08/01/2022	327,168	300,000
FNMA Agency Bond #889735 – 31410KPU2	07/01/2023	<u>246,565</u>	<u>2,800,000</u>
Total Collateral Pledged		<u>\$ 3,094,590</u>	<u>\$ 5,600,000</u>
 Washington Federal Pledged Collateral:	Maturity	Market Value	Par Value
GNMA2 – G2895800	08/20/2061	\$ 707,772	\$ 1,100,000
Total Collateral Pledged		<u>\$ 707,772</u>	<u>\$ 1,100,000</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

Deposits with LGIP - The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Section 6-10-10 I through 6-10-10 P and Sections 6-10-10-.1 A and E, NMSA 1978. The investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

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

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.

At the 2016 fiscal year end, the Village has approximately \$8,895 on deposit with the LGIP reported in the General Fund, and \$2,264 on deposit reported in the Utility Water & Sewer Fund.

LGIP Interest Rate Risk – The LGIP's policy is to invest in securities with an average maturity of less than 182 days, or with a 0.5 yearly average term. The LGIP's weighted average maturity at June 30, 2016 was 54.6 days and is rated AAAM.

NOTE C - RECEIVABLES

Interfund – The General Fund owes the Municipal Streets Fund approximately \$23,519 as of the fiscal year end. This balance represents taxes collected by the General Fund that is to be transferred to the Municipal Streets Fund. The balances are eliminated in the Government-Wide Statement of Net Position.

Government Activities - The Village fully reserves delinquent property taxes that are outstanding as of fiscal year-end. Total delinquent property taxes receivable as of June 30, 2016 is approximately \$10,300, with \$4,522 of the delinquent taxes reserved as uncollectible and the remaining \$5,778 reported as deferred inflows since the expected collection period is outside the sixty-day window. The Village also records gross receipts, franchise and other taxes collected within sixty days of year end as receivables at year end. The following amounts are considered receivable at the fiscal year end:

	Gross	Allowance	Net
Gross Receipts Tax	\$ 108,228	\$ -	\$ 108,228
Property Tax	10,300	(4,522)	5,778
Franchise Tax	7,845	-	7,845
Other Taxes	<u>259</u>	<u>-</u>	<u>259</u>
Taxes Receivable	<u>\$ 126,632</u>	<u>\$ (4,522)</u>	<u>\$ 122,110</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE C – RECEIVABLES (Cont.)

Business-type Activities – The Village reserves a portion of the utility accounts receivable due to the accounts not being susceptible to collection. The amount of the allowance for the Proprietary fund is below as of the fiscal year end:

	Smokey Bear Enterprise	Solid Waste Fund	Utility Water & Sewer Fund	Total
Gross Accounts Receivable	\$ -	\$ 16,206	\$ 71,357	\$ 87,563
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>	<u>(18,665)</u>	<u>(18,665)</u>
Accounts Receivable – Net	<u>\$ -</u>	<u>\$ 16,206</u>	<u>\$ 52,692</u>	<u>\$ 68,898</u>

Concentrations of Risk - The Village depends on financial resources flowing from, or associated with, property taxes, gross receipts taxes, the Federal Government and the State of New Mexico. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations; changes in gross receipts tax rates, collections, tourism, and property values.

NOTE D - CAPITAL ASSETS

The following capital asset activity for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Prior Period Adjustments	Increases	Decreases	Balance June 30, 2016
Governmental Activities:					
Non-depreciable Capital Assets					
Land	\$ 121,175	\$ -	\$ -	\$ -	\$ 121,175
Total Non-depreciable Capital Assets	121,175	-	-	-	121,175
Depreciable Capital Assets					
Buildings and Improvements	1,224,903	137,655	25,416	-	1,387,974
Streets and Infrastructure	4,934,276	292,523	82,420	-	5,309,219
Vehicles	1,804,956	57,738	52,755	-	1,915,449
Machinery and Equipment	<u>219,791</u>	<u>-</u>	<u>328,491</u>	<u>-</u>	<u>548,282</u>
Total Depreciable Capital Assets	<u>8,183,926</u>	<u>487,916</u>	<u>489,082</u>	<u>-</u>	<u>9,160,924</u>
Accumulated Depreciation					
Buildings and Improvements	(429,175)	(41,507)	(43,852)	-	(514,534)
Streets and Infrastructure	(1,134,011)	(196,030)	(209,072)	-	(1,539,113)
Vehicles	(1,445,201)	(77,240)	(91,534)	-	(1,613,975)
Machinery and Equipment	<u>(197,695)</u>	<u>(7,228)</u>	<u>(30,219)</u>	<u>-</u>	<u>(235,142)</u>
Accumulated Depreciation	<u>(3,206,082)</u>	<u>(322,005)</u>	<u>(374,677)</u>	<u>-</u>	<u>(3,902,764)</u>
Total Depreciable Capital Assets, Net	<u>4,977,844</u>	<u>165,911</u>	<u>114,405</u>	<u>-</u>	<u>5,258,160</u>
Capital Assets, Net	<u>\$ 5,099,019</u>	<u>\$ 165,911</u>	<u>\$ 114,405</u>	<u>\$ -</u>	<u>\$ 5,379,335</u>

Management elected to present the Governmental Activities depreciation expense of \$374,677 as a separate line-item expense on the Statement of Activities rather than allocating the expense to each function within the primary government.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE D - CAPITAL ASSETS (Cont.)

	Balance June 30, 2015	Prior Period Adjustments	Increases	Decreases	Balance June 30, 2016
Business-type Activities:					
Non-depreciable Capital Assets					
Land and Water Rights	\$ 4,059,132	\$ -	\$ -	\$ -	\$ 4,059,132
Total Non-depreciable Capital Assets	4,059,132	-	-	-	4,059,132
Depreciable Capital Assets					
Water System	6,083,729	450,632	450,261	-	6,984,622
Sewer System	824,687	-	-	-	824,687
Building & Improvements	142,098	-	-	-	142,098
Vehicles	219,150	-	-	-	219,150
Machinery & Equipment	118,050	(7,290)	33,462	-	144,222
Smokey Bear Enterprise	<u>36,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,566</u>
Total Depreciable Capital Assets	<u>7,424,280</u>	<u>443,342</u>	<u>483,723</u>	<u>-</u>	<u>8,351,345</u>
Accumulated Depreciation					
Water System	(3,453,287)	(126,822)	(143,633)	-	(3,723,742)
Sewer System	(79,062)	(44,784)	(44,784)	-	(168,630)
Building & Improvements	(9,868)	(4,736)	(4,736)	-	(19,340)
Vehicles	(159,382)	(11,292)	(11,292)	-	(181,966)
Machinery & Equipment	(83,148)	1,851	(9,343)	-	(90,640)
Smokey Bear Enterprise	<u>(35,130)</u>	<u>(247)</u>	<u>(246)</u>	<u>-</u>	<u>(35,623)</u>
Accumulated Depreciation	<u>(3,819,877)</u>	<u>(186,030)</u>	<u>(214,034)</u>	<u>-</u>	<u>(4,219,941)</u>
Total Depreciable Capital Assets, Net	<u>3,604,403</u>	<u>257,312</u>	<u>269,689</u>	<u>-</u>	<u>4,131,404</u>
Capital Assets, Net	<u>\$ 7,663,535</u>	<u>\$ 257,312</u>	<u>\$ 269,689</u>	<u>\$ -</u>	<u>\$ 8,190,536</u>

NOTE E - COMPENSATED ABSENCES

Vacation and sick leave are earned by employees during the year based on time worked, are non-cumulative and considered to be a current liability. Vacation leave due, if any, is paid upon an employee's termination. Compensation for sick leave is limited to time off and is not monetarily compensated. The activity of the vacation leave due to employees as of June 30, 2016 is detailed below. Vacation for the governmental activities are paid by the General Fund. Both the Smokey Bear Enterprise and the Utility Water & Sewer Funds incur the expenditures for the Business-type activities for the employees assigned to the respective fund.

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Payable Within One Year
Governmental Activities	\$ 18,588	\$ 14,500	\$ (24,835)	\$ 8,253	\$ 8,235
Business-type Activities	<u>6,839</u>	<u>5,373</u>	<u>(7,945)</u>	<u>4,267</u>	<u>4,267</u>
Total	<u>\$ 25,427</u>	<u>\$ 19,873</u>	<u>\$ (32,780)</u>	<u>\$ 12,520</u>	<u>\$ 12,520</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE F - LONG-TERM DEBT

The Village had the following long-term debt obligations as of June 30, 2016:

Governmental Activities:

NMFA 3305-PP – Police Vehicle Purchase - The Village entered into an agreement with NMFA in May 2015 to fund the purchase of two patrol vehicles for the police department, which were purchased in the 2016 fiscal year. Initial principal was \$53,153 with repayment terms of four annual payments of approximately \$13,880, bearing variable interest rates between 0.73% and 1.6% with interest paid semi-annually and maturing in May 2020. The debt is to be paid out of the General Fund.

The Village did not incur interest expense during the fiscal year from the governmental funds. Long-term debt activity for the year ended June 30, 2016 was as follows:

Governmental	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
NMFA 2025-PP	\$ 53,153	\$ -	\$ -	\$ 53,153	\$ -
Total Long-term Debt	<u>\$ 53,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,153</u>	<u>\$ 12,688</u>

Business-type Activities:

USDA-RUS 2001 - The Village entered into an agreement with the USDA-Rural Utilities Service in 2001 to fund construction and improvements to the Village’s utility infrastructure. Initial principal was \$459,800 with repayment terms of 40 annual payments ranging from approximately \$26,000 to \$30,000, bearing interest of 4.75% with interest paid annually and maturing in December 2041.

USDA-RUS 2002 - The Village entered into an agreement with the USDA-Rural Utilities Service in 2002 to fund construction and improvements to the Village’s utility infrastructure. Initial principal was \$222,586 with repayment terms of 20 annual payments of approximately \$3,218 with no interest and maturing in June 2042.

NMFA 2800-CIF Colonias Infrastructure Project - The Village entered into an agreement with NMFA in June 2013 to administer a Grant/Loan project to improve the water and wastewater infrastructure of the Village to remain in compliance with NMED and the EPA. Initial principal was \$63,932 with repayment terms of 20 annual payments of approximately \$3,218, bearing no interest and maturing in June 2033.

NMFA 0226-WTB Water Project - The Village entered into an agreement with NMFA in June 2014 to administer a Grant/Loan project to improve the water and wastewater infrastructure of the Village to remain in compliance with NMED and the EPA. Initial principal was \$16,100 with repayment terms of 40 annual payments of approximately \$826, bearing interest of 0.25% with interest paid annually and maturing in June 2042.

NMFA 3343-CIF Water System Improvements - The Village entered into an agreement with NMFA in July 2015 to fund the improvement of the water system. The grant/loan project has an initial principal was \$7,500 with repayment terms of twenty annual payments of approximately \$392, bearing no interest and maturing in June 2035.

NMED RIP 2011-03 – Rural Infrastructure Project - The Village entered into an agreement with NMED in 2011 to fund construction and improvements to the Village’s utility infrastructure. Initial principal was \$205,000 with repayment terms of 20 annual payments of approximately \$13,627, bearing interest of 3.0% with interest paid annually and maturing in November 2031.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE F - LONG-TERM DEBT (Cont.)

The Village paid approximately \$33,226 in interest expense and other fees during the fiscal year from the Utility Water & Sewer fund. Long-term debt activity for the year ended June 30, 2016 was as follows:

Proprietary	Balance June 30, 2015	Prior Period Adjustment	Increases	Decreases	Balance June 30, 2016	Due Within One Year
USDA-RUS 2001	\$ 404,800	\$ (10,000)	\$ -	\$ (5,000)	\$ 389,800	\$ 10,000
USDA-RUS 2002	188,486	-	-	(3,600)	184,886	3,700
NMFA 2800-CIF	57,924	-	-	(3,218)	54,706	3,218
NMFA 0266-WTB	15,315	-	-	(788)	14,527	790
NMFA 3343-CIF	-	-	7,500	-	7,500	51
NMED RIP 2011-03	<u>179,412</u>	<u>-</u>	<u>-</u>	<u>(8,244)</u>	<u>171,168</u>	<u>8,492</u>
Total Long-term Debt	<u>\$ 845,937</u>	<u>\$ (10,000)</u>	<u>\$ 7,500</u>	<u>\$ (20,850)</u>	<u>\$ 822,587</u>	<u>\$ 26,251</u>

Long-term debt service requirements to maturity for the Village is as follows:

Fiscal Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 12,688	\$ 1,192	\$ 13,880	\$ 26,251	\$ 33,954	\$ 60,205
2018	13,328	552	13,880	27,049	33,521	60,570
2019	13,476	404	13,880	27,513	32,072	59,585
2020	13,661	219	13,880	27,985	31,605	59,590
2021	-	-	-	28,465	30,122	58,587
2022-2026	-	-	-	150,335	136,670	287,005
2027-2031	-	-	-	190,409	106,513	296,922
2032-2036	-	-	-	155,394	71,769	227,163
2037-2041	-	-	-	167,100	34,573	201,673
2042-2046	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,086</u>	<u>1,584</u>	<u>23,670</u>
	<u>\$ 53,153</u>	<u>\$ 2,367</u>	<u>\$ 55,520</u>	<u>\$ 822,587</u>	<u>\$ 512,383</u>	<u>\$ 1,334,970</u>

NOTE G - RETIRE HEALTH CARE ACT CONTRIBUTIONS

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. The Village has elected not to participate in the program.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE H - PERA PENSION PLAN

Pensions. 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 due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description. 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://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 I in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at:
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 FY 15 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 FY 15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to the Village is the Police Division. Statutorily required contributions to the pension plan from the Village were \$13,903 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2016.

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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, 2015.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE H - PERA PENSION PLAN (Cont.)

Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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 Fund Division - Police. At June 30, 2016, the Village reported a liability of \$125,503 for its proportionate share of the net pension liability. At June 30, 2015, the Village's proportion was 0.0261%, which was higher than its 0.0209% proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Village recognized PERA Fund - Police, pension expense of \$12,318. At June 30, 2016, the Village reported PERA Fund Division - Police deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumption	\$ -	\$ 5,192
Changes in Proportion	12,944	-
Differences Between Expected and Actual Experience	8,770	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	348
Village Contributions Subsequent to Measurement Date	<u>13,903</u>	<u>-</u>
Totals	<u>\$ 35,617</u>	<u>\$ 5,540</u>

For the Police Division, \$13,903 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date June 30, 2015 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (1,069)
2018	(1,069)
2019	(1,069)
2020	<u>6,435</u>
Totals	<u>\$ 3,228</u>

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, 2015 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the PERA Board for use in the June 30, 2015 actuarial valuation.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE H - PERA PENSION PLAN (Cont.)

Actuarial Valuation Date	June 30, 2015
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
Projected Benefit Payment	100 Years
Payroll Growth	3.50% Annual Rate
Projected Salary Increases	3.50% to 4.25% 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 rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00 %
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Totals	<u>100.0%</u>	

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 this 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 GASBS 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 Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table show 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 in which the Village participates, 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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE H - PERA PENSION PLAN (Cont.)

Proportionate Share of Net Pension Liability	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Police	<u>\$ 207,261</u>	<u>\$ 125,503</u>	<u>\$ 58,434</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at: www.pera.state.nm.us/publications.html.

Payables to the Pension Plan. At June 30, 2016, the Village had \$3,286 in outstanding contributions to the pension plan which is reported within payroll liabilities payable in the General Fund.

NOTE I - JOINT POWERS AGREEMENTS

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

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

The Villages of Capitan and Corona (Villages), Lincoln County (County) and the 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 J - PENDING COMMITMENTS

DFA 14-L-1944 Capital Appropriation Project - The Village entered into an agreement with the Department of Finance and Administration's Local Government Division in September 2014 for \$100,000 in grant project funds for renovations of the community center. The Village has not drawn on these funds as of June 30, 2016. The Village has until June 30, 2018 to draw on the grant funds, at which time the unused amounts will revert back to the State.

DFA 13-L-1724 Capital Appropriation Project - The Village entered into an agreement with the Department of Finance and Administration's Local Government Division in September 2013 for \$50,000 in grant project funds for renovations of the old city hall building. The Village has not drawn on these funds as of June 30, 2016. The Village has until June 30, 2017 to draw on the grant funds, at which time the unused amounts will revert back to the State.

NMFA 3343-CIF Water System Improvements - The Village has not drawn on the \$75,000 in grant/loan project funds as of June 30, 2016. The Village has until June 30, 2019 to draw on the grant funds, at which time the unused amounts will revert back to the state.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE J - PENDING COMMITMENTS (Cont.)

NMFA 2800-CIF Water System Improvements - The Village has not drawn the remaining \$137,528 of the \$575,393 in grant/loan project funds as of June 30, 2016. The Village has until June 30, 2017 to draw on the grant funds, at which time the unused amounts will revert back to the state.

NOTE K - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were made in the following funds to the beginning fund balance/net position amounts to correct the capital asset and long-term liabilities balances in the respective funds. Below are the effects of the adjustments.

Statement of Activities – The prior year financial statements omitted the reporting of the Village’s general capital assets for the fiscal year, along with the related depreciation. The prior period adjustment corrects for the omission.

Solid Waste Fund – The prior year financial statements omitted a long-outstanding accounts payable amount to the contracting sanitation collection vendor. The prior period adjustment corrects for the omission.

Utility Water & Sewer Fund - The prior year financial statements omitted the reporting of the Village’s fund-related capital assets for the fiscal year, along with the accompanying depreciation. The prior period adjustment corrects for the omission.

The prior period financial statements overstated the amount of long-term debt liabilities on the USDA-RUS 2001 note payable. The prior period adjustment corrects the balance to the amount owed at the end of the fiscal year.

	Governmental Activities Statement of Activities	Solid Waste Fund	Smokey Bear Enterprise Fund	Utility Water & Sewer Fund
Net Position - Previously Reported	\$ 6,956,055	\$ 39,249	\$ 68,445	\$ 7,975,503
Capital Assets Basis	487,916	-	-	443,342
Depreciation	(322,005)	-	(247)	(185,783)
Accounts Payable Adjustment	-	(39,299)	-	-
Long Term Debt Adjustment	-	-	-	10,000
Total Adjustments	<u>165,911</u>	<u>(39,299)</u>	<u>(247)</u>	<u>267,559</u>
Net Position – As Adjusted	<u>\$ 7,121,966</u>	<u>\$ (50)</u>	<u>\$ 68,198</u>	<u>\$ 8,243,062</u>

REQUIRED SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION
LIABILITY AND REQUIRED CONTRIBUTIONS
LAST 10 FISCAL YEARS***

Actuarial Valuation Date	Year Ended 6/30/14 (Measurement Date for 6/30/15)	Year Ended 6/30/15 (Measurement Date for 6/30/16)
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Municipal Police Division

Proportionate Share of Net Pension Liability

Proportion of Net Pension Liability	0.0209%	0.0261%
Net Pension Liability	68,132	125,503
Annual Covered Payroll	64,052	90,283
NPL as Percentage of Covered Payroll	106%	139%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%

Schedule of Required Contributions

Contractually Required Contribution	9,864	13,903
Contributions Made	9,864	13,903
Contributions as Percentage of Covered Payroll	15.4%	15.4%

*The amounts presented above for trend analysis are determined as of June 30. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2016**

Changes of Benefit Terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at:
http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of Assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:
http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%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.

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NONMAJOR FUND DESCRIPTIONS
JUNE 30, 2016**

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

Corrections Fund - To establish an additional source 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 to the operations of a motor vehicle. Authority is NMSA 33-9-3.

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

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

Municipal Streets 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. Authority is NMSA 7-21-115.

Lodger's Tax Fund - 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 Fund - 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 Fund - Accounts for the operations and maintenance of a special grant for the police department. Financing is provided by a grant from the State. The grant may be used only for the operations of the police department. Authority is Section 29-13-3 NMSA 1978.

Smokey Bear Donation Fund - 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 the gross receipts tax collection and subsequently given to the Otero/Lincoln County Regional Landfill in accordance with a joint powers agreement. Authority is by Joint Powers Agreement.

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
COMBINED BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Cemetery Fund	Corrections Fund	Fire Equipment Fund	Fire Donation Fund	Municipal Streets Fund
ASSETS					
ASSETS					
Cash and Cash Equivalents	\$ 40,411	\$ 17,781	\$ 48,765	\$ 5,633	\$ 80,196
Taxes Receivable					
Gross Receipts	-	-	-	-	4,971
Due from Other Funds	-	-	-	-	23,519
Total Assets	<u>\$ 40,411</u>	<u>\$ 17,781</u>	<u>\$ 48,765</u>	<u>\$ 5,633</u>	<u>\$ 108,686</u>
 FUND BALANCE					
FUND BALANCES					
Restricted	\$ 40,411	\$ 17,781	\$ -	\$ -	\$ 108,686
Committed	-	-	48,765	-	-
Assigned	-	-	-	5,633	-
Total Fund Balances	<u>40,411</u>	<u>17,781</u>	<u>48,765</u>	<u>5,633</u>	<u>108,686</u>
Total Fund Balances	<u>\$ 40,411</u>	<u>\$ 17,781</u>	<u>\$ 48,765</u>	<u>\$ 5,633</u>	<u>\$ 108,686</u>

Lodger's Tax Fund	Juvenile Recreation Fund	Law Enforcement Protection Fund	Smokey Bear Donation Fund	Environmental Gross Receipts Tax Fund	CDBG Senior Center Fund	Total Nonmajor Governmental Funds
\$ 4,436	\$ 3,899	\$ 52	\$ 2,831	\$ 224	\$ 644	\$ 204,872
-	-	-	-	2,485	-	7,456
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,519</u>
<u>\$ 4,436</u>	<u>\$ 3,899</u>	<u>\$ 52</u>	<u>\$ 2,831</u>	<u>\$ 2,709</u>	<u>\$ 644</u>	<u>\$ 235,847</u>
\$ 4,436	\$ 3,899	\$ -	\$ -	\$ 2,709	\$ 644	\$ 178,566
-	-	-	-	-	-	48,765
<u>-</u>	<u>-</u>	<u>52</u>	<u>2,831</u>	<u>-</u>	<u>-</u>	<u>8,516</u>
<u>4,436</u>	<u>3,899</u>	<u>52</u>	<u>2,831</u>	<u>2,709</u>	<u>644</u>	<u>235,847</u>
<u>\$ 4,436</u>	<u>\$ 3,899</u>	<u>\$ 52</u>	<u>\$ 2,831</u>	<u>\$ 2,709</u>	<u>\$ 644</u>	<u>\$ 235,847</u>

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Cemetery Fund	Corrections Fund	Fire Equipment Fund	Fire Donation Fund	Municipal Streets Fund
REVENUES					
Taxes					
Environmental Gross Receipts	\$ -	\$ -	\$ -	\$ -	\$ -
Infrastructure Gross Receipts	-	-	-	-	33,236
Gasoline	-	-	-	-	17,306
Lodger's	-	-	-	-	-
Intergovernmental					
State	-	-	-	-	-
Fees and Fines	-	2,630	-	-	-
Interest Income	132	53	174	19	276
Miscellaneous	750	-	-	-	-
Total Revenues	<u>882</u>	<u>2,683</u>	<u>174</u>	<u>19</u>	<u>50,818</u>
EXPENDITURES					
Current					
Streets	-	-	-	-	24,589
Public Works	-	-	-	-	-
Culture and Recreation	236	-	-	-	-
Public Safety	-	250	194	-	-
Total Expenditures	<u>236</u>	<u>250</u>	<u>194</u>	<u>-</u>	<u>24,589</u>
Excess (Deficiency) of Revenues over Expenditures	646	2,433	(20)	19	26,229
Fund Balance, Beginning	<u>39,765</u>	<u>15,348</u>	<u>48,785</u>	<u>5,614</u>	<u>82,457</u>
Fund Balance, Ending	<u>\$ 40,411</u>	<u>\$ 17,781</u>	<u>\$ 48,765</u>	<u>\$ 5,633</u>	<u>\$ 108,686</u>

Lodger's Tax Fund	Juvenile Recreation Fund	Law Enforcement Protection Fund	Smokey Bear Donation Fund	Environmental Gross Receipts Fund	CDBG Senior Center Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 16,615	\$ -	\$ 16,615
-	-	-	-	-	-	33,236
-	-	-	-	-	-	17,306
5,630	-	-	-	-	-	5,630
-	-	21,800	-	-	286,742	308,542
-	-	-	-	-	-	2,630
16	13	46	10	1	-	740
-	-	-	133	-	-	883
<u>5,646</u>	<u>13</u>	<u>21,846</u>	<u>143</u>	<u>16,616</u>	<u>286,742</u>	<u>385,582</u>
-	-	-	-	-	-	24,589
-	-	-	-	16,542	-	16,542
4,543	-	-	264	-	-	5,043
-	211	22,086	-	-	-	22,741
<u>4,543</u>	<u>211</u>	<u>22,086</u>	<u>264</u>	<u>16,542</u>	<u>-</u>	<u>68,915</u>
1,103	(198)	(240)	(121)	74	286,742	316,667
<u>3,333</u>	<u>4,097</u>	<u>292</u>	<u>2,952</u>	<u>2,635</u>	<u>(286,098)</u>	<u>(80,820)</u>
<u>\$ 4,436</u>	<u>\$ 3,899</u>	<u>\$ 52</u>	<u>\$ 2,831</u>	<u>\$ 2,709</u>	<u>\$ 644</u>	<u>\$ 235,847</u>

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CEMETERY FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for Service	\$ 1,500	\$ 1,500	\$ 750	\$ (750)
Interest Income	100	100	132	32
Total Revenues	1,600	1,600	882	(718)
EXPENDITURES				
Current				
Culture and Recreation	14,000	3,000	236	2,764
Total Expenditures	14,000	3,000	236	2,764
Excess (Deficiency) of Revenues over Expenditures	(12,400)	(1,400)	646	2,046
Cash Balance, Beginning of Year	39,765	39,765	39,765	-
Cash Balance, End of Year	\$ 27,365	\$ 38,365	\$ 40,411	\$ 2,046
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 646	
Excess of Revenues over Expenditures - GAAP Basis			\$ 646	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CORRECTIONS FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Fines and Forfeits	\$ 4,000	\$ 4,000	\$ 2,630	\$ (1,370)
Interest Income	175	175	53	(122)
Total Revenues	4,175	4,175	2,683	(1,492)
EXPENDITURES				
Current				
Public Safety	1,200	1,200	250	950
Total Expenditures	1,200	1,200	250	950
Excess of Revenues over Expenditures	2,975	2,975	2,433	(542)
 Cash Balance, Beginning of Year	 15,348	 15,348	 15,348	 -
Cash Balance, End of Year	\$ 18,323	\$ 18,323	\$ 17,781	\$ (542)
 Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 2,433	
Excess of Revenues over Expenditures - GAAP Basis			\$ 2,433	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FIRE EQUIPMENT FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Miscellaneous	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Interest Income	130	130	174	44
Total Revenues	5,130	5,130	174	(4,956)
EXPENDITURES				
Current				
Public Safety	5,000	5,000	194	4,806
Total Expenditures	5,000	5,000	194	4,806
Excess (Deficiency) of Revenues over Expenditures	130	130	(20)	(150)
Cash Balance, Beginning of Year	48,785	48,785	48,785	-
Cash Balance, End of Year	\$ 48,915	\$ 48,915	\$ 48,765	\$ (150)
Reconciliation to GAAP Basis				
Deficiency of Revenues over Expenditures - Budget Basis			\$ (20)	
Deficiency of Revenues over Expenditures - GAAP Basis			\$ (20)	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FIRE DONATION FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Miscellaneous	200	200	\$ -	\$ (200)
Interest Income	15	15	19	4
Total Revenues	215	215	19	(196)
EXPENDITURES				
Current				
Public Safety	200	200	-	200
Total Expenditures	200	200	-	200
Excess of Revenues over Expenditures	15	15	19	4
Cash Balance, Beginning of Year	5,614	5,614	5,614	-
Cash Balance, End of Year	\$ 5,629	\$ 5,629	\$ 5,633	\$ 4
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 19	
Excess of Revenues over Expenditures - GAAP Basis			\$ 19	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MUNICIPAL STREETS FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Infrastructure Gross Receipts	\$ 25,000	\$ 25,000	\$ 33,089	\$ 8,089
Gasoline	17,000	17,000	17,306	306
Interest Income	110	110	276	166
Total Revenues	42,110	42,110	50,671	8,561
EXPENDITURES				
Current				
Streets	35,000	35,000	29,933	5,067
Total Expenditures	35,000	35,000	29,933	5,067
Excess of Revenues over Expenditures	7,110	7,110	20,738	13,628
Cash Balance, Beginning of Year	59,458	59,458	59,458	-
Cash Balance, End of Year	\$ 66,568	\$ 66,568	\$ 80,196	\$ 13,628
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 20,738	
Changes in:				
Gross Receipts Tax Receivable			147	
Due from Other Funds			5,344	
Excess of Revenues over Expenditures - GAAP Basis			\$ 26,229	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LODGER'S TAX FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Lodger's	\$ 4,200	\$ 4,200	\$ 5,630	\$ 1,430
Interest Income	20	20	16	(4)
Total Revenues	4,220	4,220	5,646	1,426
EXPENDITURES				
Current				
Culture and Recreation	2,000	2,000	4,543	(2,543)
Total Expenditures	2,000	2,000	4,543	(2,543)
Excess of Revenues over Expenditures	2,220	2,220	1,103	(1,117)
Cash Balance, Beginning of Year	3,333	3,333	3,333	-
Cash Balance, End of Year	\$ 5,553	\$ 5,553	\$ 4,436	\$ (1,117)
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 1,103	
Excess of Revenues over Expenditures - GAAP Basis			\$ 1,103	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
JUVENILE RECREATION FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest Income	\$ 12	\$ 12	\$ 13	\$ 1
Total Revenues	12	12	13	1
EXPENDITURES				
Current				
Public Safety	4,000	4,000	211	3,789
Total Expenditures	4,000	4,000	211	3,789
Deficiency of Revenues over Expenditures	(3,988)	(3,988)	(198)	3,790
Cash Balance, Beginning of Year	4,097	4,097	4,097	-
Cash Balance, End of Year	\$ 109	\$ 109	\$ 3,899	\$ 3,790
Reconciliation to GAAP Basis				
Deficiency of Revenues over Expenditures - Budget Basis			\$ (198)	
Deficiency of Revenues over Expenditures - GAAP Basis			\$ (198)	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)**
LAW ENFORCEMENT PROTECTION FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
State	\$ 21,800	\$ 21,800	\$ 21,800	\$ -
Interest Income	68	68	46	(22)
Total Revenues	21,868	21,868	21,846	(22)
EXPENDITURES				
Current				
Public Safety	21,868	21,868	22,086	(218)
Total Expenditures	21,868	21,868	22,086	(218)
Deficiency of Revenues over Expenditures	-	-	(240)	(240)
Cash Balance, Beginning of Year	292	292	292	-
Cash Balance, End of Year	\$ 292	\$ 292	\$ 52	\$ (240)
Reconciliation to GAAP Basis				
Deficiency of Revenues over Expenditures - Budget Basis			\$ (240)	
Deficiency of Revenues over Expenditures - GAAP Basis			\$ (240)	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
SMOKEY BEAR DONATION FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Miscellaneous	\$ 407	\$ 407	\$ 133	\$ (274)
Interest Income	-	-	10	10
Total Revenues	407	407	143	(264)
EXPENDITURES				
Current				
Culture and Recreation	2,000	2,000	264	1,736
Total Expenditures	2,000	2,000	264	1,736
Deficiency of Revenues over Expenditures	(1,593)	(1,593)	(121)	1,472
Cash Balance, Beginning of Year	2,952	2,952	2,952	-
Cash Balance, End of Year	\$ 1,359	\$ 1,359	\$ 2,831	\$ 1,472
Reconciliation to GAAP Basis				
Deficiency of Revenues over Expenditures - Budget Basis			\$ (121)	
Deficiency of Revenues over Expenditures - GAAP Basis			\$ (121)	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
ENVIRONMENTAL GROSS RECEIPTS TAX FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Environmental Gross Receipts	\$ 12,000	\$ 12,000	\$ 16,615	\$ 4,615
Interest Income	3	32	1	(31)
Total Revenues	12,003	12,032	16,616	4,584
EXPENDITURES				
Current				
Public Works	12,003	12,032	16,542	(4,510)
Total Expenditures	12,003	12,032	16,542	(4,510)
Excess of Revenues over Expenditures	-	-	74	74
Cash Balance, Beginning of Year	223	223	223	-
Cash Balance, End of Year	\$ 223	\$ 223	\$ 297	\$ 74
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 74	
Excess of Revenues over Expenditures - GAAP Basis			\$ 74	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
SMOKEY BEAR ENTERPRISE PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales	\$ 82,285	\$ 82,285	\$ 56,507	\$ (25,778)
Interest Income	250	250	198	(52)
Other Revenue	-	-	5,474	5,474
Total Operating Revenues	82,535	82,535	62,179	(20,356)
OPERATING EXPENSES				
Current				
Operations	81,250	81,250	60,322	20,928
Total Operating Expenses	81,250	81,250	60,322	20,928
Change in Net Position	1,285	1,285	1,857	572
Cash - Beginning of Year	61,695	61,695	61,695	-
Cash - End of Year	\$ 62,980	\$ 62,980	\$ 63,552	\$ 572
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 1,857	
Depreciation			246	
Change in:				
Sales Tax Payable			3,655	
Accrued Compensated Absences			258	
Accrued Payroll			(124)	
Change in Net Position - GAAP Basis			\$ 5,892	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
SOLID WASTE PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for Services				
Sanitation	\$ 185,100	\$ 185,100	\$ 191,211	\$ 6,111
Interest Income	-	-	73	73
Total Operating Revenues	185,100	185,100	191,284	6,184
OPERATING EXPENSES				
Current				
Sanitation	185,000	185,000	207,531	(22,531)
Total Operating Expenses	185,000	185,000	207,531	(22,531)
Change in Net Position	100	100	(16,247)	(16,347)
Cash - Beginning of Year	23,043	23,043	23,043	-
Cash - End of Year	\$ 23,143	\$ 23,143	\$ 6,796	\$ (16,347)
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ (16,247)	
Change in Net Position - GAAP Basis			\$ (16,247)	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
UTILITY WATER & SEWER PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services				
Water	\$ 628,200	\$ 628,200	\$ 426,350	\$ (201,850)
Sewer	-	-	64,785	64,785
Late Fees	13,750	13,750	13,128	(622)
Interest Income	4,000	4,000	4,760	760
State Grant Proceeds	-	-	402,721	402,721
Water Rights Lease	-	-	108,816	108,816
Other Revenue	-	-	31,694	31,694
Total Operating Revenues	<u>645,950</u>	<u>645,950</u>	<u>1,052,254</u>	<u>406,304</u>
OPERATING EXPENSES				
Current				
Operations	607,701	607,701	483,561	124,140
Capital Outlay	-	-	483,723	(483,723)
Debt Service				
Principal	-	-	20,850	(20,850)
Interest	-	-	33,226	(33,226)
Total Operating Expenses	<u>607,701</u>	<u>607,701</u>	<u>1,021,360</u>	<u>(413,659)</u>
Change in Net Position	38,249	38,249	30,894	819,963
Cash - Beginning of Year	<u>1,156,649</u>	<u>1,156,649</u>	<u>1,156,649</u>	<u>-</u>
Cash - End of Year	<u><u>\$ 1,194,898</u></u>	<u><u>\$ 1,194,898</u></u>	<u><u>\$ 1,187,543</u></u>	<u><u>\$ 819,963</u></u>
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 30,894	
Depreciation			(213,788)	
Principal Payments			20,850	
Capital Outlay Purchases			483,723	
Changes In:				
Accounts Receivable			4,830	
Customer Deposits			590	
Accrued Payroll			(884)	
Accrued Sales Tax			12,193	
Accrued Compensated Absences			(2,314)	
Change in Net Position - GAAP Basis			<u><u>\$ 336,094</u></u>	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
COURT ESCROW AGENCY FUND
YEAR ENDED JUNE 30, 2016

	Balance 06/30/15	Additions	Deductions	Balance 06/30/16
ASSETS				
ASSETS				
Cash and Cash Equivalents	\$ 321	\$ 903	\$ (394)	\$ 830
Total Assets	<u>\$ 321</u>	<u>\$ 903</u>	<u>\$ (394)</u>	<u>\$ 830</u>
LIABILITIES				
LIABILITIES				
Due to Other Agencies	\$ 321	\$ 903	\$ (394)	\$ 830
Total Liabilities	<u>\$ 321</u>	<u>\$ 903</u>	<u>\$ (394)</u>	<u>\$ 830</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
COURT AGENCY FUND
YEAR ENDED JUNE 30, 2016**

	Balance 06/30/15	Additions	Deductions	Balance 06/30/16
ASSETS				
ASSETS				
Cash and Cash Equivalents	\$ 457	\$ 6,758	\$ (6,654)	\$ 561
Total Assets	<u>\$ 457</u>	<u>\$ 6,758</u>	<u>\$ (6,654)</u>	<u>\$ 561</u>
 LIABILITIES				
LIABILITIES				
Due to Other Agencies	\$ 457	\$ 6,758	\$ (6,654)	\$ 561
Total Liabilities	<u>\$ 457</u>	<u>\$ 6,758</u>	<u>\$ (6,654)</u>	<u>\$ 561</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
MOTOR VEHICLE AGENCY FUND
YEAR ENDED JUNE 30, 2016**

	Balance 06/30/15	Additions	Deductions	Balance 06/30/16
ASSETS				
ASSETS				
Cash and Cash Equivalents	\$ 701	\$ 1	\$ (194)	\$ 508
Total Assets	<u>\$ 701</u>	<u>\$ 1</u>	<u>\$ (194)</u>	<u>\$ 508</u>
 LIABILITIES				
LIABILITIES				
Due to Other Agencies	\$ 701	\$ 1	\$ (194)	\$ 508
Total Liabilities	<u>\$ 701</u>	<u>\$ 1</u>	<u>\$ (194)</u>	<u>\$ 508</u>

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF VENDOR EXPENDITURES
PURCHASES OF OVER \$60,000 (EXCLUDING GRT)
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016

<i>RFB#/R FP#</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentatio n of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentatio n of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>
N/A	Sole Source	Green Tree Solid Waste Authority	Y	190,967	190,967	PO Box 2405, Ruidoso Downs, NM 88346	N	N	Trash Collection
N/A	Sole Source	Otero County Electric	Y	71,118	71,118	PO Box 669, Carrizozo, NM 88301	N	N	Utilities

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF CAPITAL OUTLAY EXPENDITURES
YEAR ENDED JUNE 30, 2016**

Grant Source	Program or Grant Number	Execution Date	Reversion Date	Grant/ Loan Amount	Prior Years Expenditures	Current Year Expenditures	Remaining Grant/Loan Expenditures
New Mexico Finance Authority Grant Amount	0266-WTB	5/16/2014	6/30/2017	\$ 24,150	\$ -	\$ 24,150	\$ -
Loan Amount				16,100	-	16,100	-
New Mexico Finance Authority Grant Amount	2800-CIF	7/19/2013	6/30/2017	575,393	-	437,865	137,528
Loan Amount				57,925	48,545	9,380	-
New Mexico Finance Authority Loan Amount	3305-PP	6/26/2015	6/30/2018	53,153	-	53,153	-
New Mexico Finance Authority Grant Amount	3343-CIF	5/1/2016	6/30/2019	67,500	-	-	67,500
Loan Amount				7,500	-	-	7,500
NM DFA Grant Amount	13-L-1724	9/14/2013	6/30/2017	50,000	-	-	50,000
NM DFA Grant Amount	14-L-1944	9/12/2014	6/30/2018	100,000	-	-	100,000
				<u>\$ 951,721</u>	<u>\$ 48,545</u>	<u>\$ 540,648</u>	<u>\$ 362,528</u>

INTERNAL CONTROL AND COMPLIANCE



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

**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***

Timothy Keller,
New Mexico State Auditor, and
Mayor and Village Council
Village of Capitan
Capitan, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the General Fund and major special revenue fund of the Village of Capitan, New Mexico as of and for the year ended June 30, 2016, 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 have also audited the financial statements of each of the Village's nonmajor governmental funds and the budgetary comparisons for the nonmajor funds presented as supplemental information, as defined by the Government Accounting Standards Board, as listed in the table of contents and have issued our report thereon dated July 17, 2017.

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 opinion 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 either material weaknesses or significant deficiencies.

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 deficiency described in the accompanying schedule of findings and responses as item 2016-002 to be a material weakness.

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 as items 2015-002, 2015-003, and 2016-003 to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed matters described in the accompanying schedule of findings and responses as items 2015-004, 2015-005, 2015-006, 2015-007, and 2016-001 as items of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Scott Northam, CPA, PC
Ruidoso, New Mexico
July 17, 2017

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

2015-002 - Legal Compliance with Budget – Significant Deficiency (Repeated and Revised)

CONDITION - The Village's actual expenditures exceeded authorized budgetary expenditures in the following funds:

- Solid Waste Fund by \$22,531
- Utility Water & Sewer Fund by \$413,659
- Lodger's Tax Fund by \$2,543
- Law Enforcement Protection Fund by \$218
- Environmental Gross Receipts Tax Fund by \$4,510

PROGRESS OF RESOLVING PRIOR YEAR FINDING – The finding was revised and repeated because the Village had not made progress toward resolving the finding due to multiple personnel turnovers in the finance department. The interim finance department employee had no governmental experience regarding budgetary requirements. The focus at the time was to keep the financial accounting records up-to-date.

CRITERIA - Section 6-6-6 NMSA 1978 requires the Village to keep expenditures within the approved budget.

CAUSE – Turnover in the finance department loses experience and caused insufficient budget tracking in these funds and not have the final budget adjusted to reflect the financial activity in the respective funds.

EFFECT – The Village may not have accurate information for planning activities and cash flows in the funds that exceeded the budget.

RECOMMENDATION – The Village should review budget versus actual comparison periodically to ensure that budget adjustments are warranted, approved by Council and forwarded to DFA for approval.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The experienced Finance Director hired in August 2016 will review the 2017 final budget and make the necessary adjustments to keep the Village in budgetary compliance. This finding should be resolved by July 2017.

2015-003 – Inter-fund Operating Transfers – Significant Deficiency (Repeated and Revised)

CONDITION – The Village did not transfer designated gross receipts tax funds from the General Fund to the proper special revenue funds in a timely manner. The transfers were recorded in the month the funds were received, but the actual cash transfer occurred two to four months later.

PROGRESS OF RESOLVING PRIOR YEAR FINDING - The finding was repeated and revised because, although the transactions were balanced between funds, the transfers were not being made or recorded in a timely fashion. This is primarily due to the interim finance department employee not being familiar with the fund operations of the Village.

CRITERIA – Gross receipts designated for specific purposes should be segregated and transferred to the proper special revenue account upon receipt to avoid comingling the funds and using them for expenditures for which the funds were not designated.

CAUSE – Turnover in the finance department caused the cash transfers to accumulate rather than be done at the proper time.

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2015-003 - Interfund Operating Transfers – Significant Deficiency (Repeated and Revised) (Cont.)

EFFECT – The amount of cash in the general fund was overstated and the Municipal Streets special revenue fund understated by \$11,939 during the year, which was transferred and reconciled in May 2016. The General fund still has taxes due to the Municipal Streets special revenue fund of \$5,344 for gross receipts for the last three months of the 2016 fiscal year, as well as the \$18,175 balance from the 2015 fiscal year.

RECOMMENDATION – The Village needs to be proactive in hiring an experienced finance director to take over the duties and perform the necessary accounting functions to accurately track and report cash and transfers.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The Village’s Finance Director hired in August 2016 corrected the transfers. The subsequent election to pool the Village’s cash into one account will mitigate future transfer issues between funds. This finding was resolved as of January 2017.

2015-004 - Capital Asset Inventory – Compliance (Repeated and Revised)

CONDITION - The Village provided an updated capital asset inventory as of the 2016 fiscal year end, but the inventory was not presented to the Village Council for approval.

PROGRESS OF RESOLVING PRIOR YEAR FINDING - The Village made significant progress toward resolving the capital asset inventory by locating the inventory which supported the 2014 unqualified fiscal year audit and updated the listing to include the 2015 and 2016 capital asset additions. The update was not presented to the council for approval due to time constraints for the 2016 fiscal year audit.

CRITERIA - Section 12-6-10 NMSA 1978 requires each local public body to perform a yearly inventory of capital assets and have the governing body certify for correctness.

CAUSE - The Village previously had an inadequate tracking method of capital assets, relying on the prior auditor to maintain the capital asset inventory. Asset information was provided by the Village to the prior auditor but it was not in the format required by the prior auditor, which resulted in the disclaimer of opinion in the prior year.

EFFECT - The Village is out of compliance with the statute.

RECOMMENDATION - The Village needs to develop a formal method of identifying and tracking capital assets and have the additions presented to the Council for approval

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - The Village’s Finance Director will start a compliance file containing capital asset invoices during the year to add to the inventory at year end and to submit for approval. This finding is expected to be resolved in September 2017 during the 2017 fiscal year audit.

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2015-005 – Budget Reporting - Compliance (repeated and revised)

CONDITION - During testwork over budget compliance, it was noted that the Village did not file budget adjustment requests for all adjustments made to the Village's budget for DFA-LGD approval.

PROGRESS OF RESOLVING PRIOR YEAR FINDING - The finding was revised and repeated because the Village has not made progress toward resolving the finding due to multiple turnovers in the finance department. The interim finance department employee had no governmental experience regarding budgetary adjustment and reporting requirements to DFA-LGD.

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

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.

EFFECT - The Village made unauthorized adjustments to its budget.

RECOMMENDATION - The Village should develop a process to ensure all budget adjustments are approved.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - The Finance Officer hired in August 2016 understands the required step for budget adjustment requests. All budget adjustment requests are now being filed correctly with approval from the Governing Body by resolution and New Mexico Department of Finance Local Government Division, resolving the finding by July 2017 with the final budget adjustment.

2015-006 - PERA Reporting - Compliance (repeated and revised)

CONDITION - Nine PERA reports from March 2016 to June 2016 of the twenty-six for the fiscal year were not reported within the required five business day time frame. The number of days late ranged from 28 days to 70 days overdue.

PROGRESS OF RESOLVING PRIOR YEAR FINDING - The Village had made progress toward resolving the finding but regressed during the fourth quarter. The Village was properly calculating and remitting the PERA reports during the first three quarters of the fiscal year, but the turnover in the finance department resulted in the late filings of the report and the late submission of payment, causing the repeated finding.

CRITERIA - State Statute 10-11-126-A NMSA 1978 requires public employers to remit contributions in accordance with the procedures and schedules established by PERA. Per Section 2 of the PERA Employer Guide, contributions are due no later than the fifth business day after the payday applicable to the payroll period being reported. If an employer fails to make the required member deductions and employer contributions, the employer will be responsible for correcting the omission and responsible for any assessed interest charges.

CAUSE - Personnel turnover and lack of personnel in the finance department responsible for the reports

EFFECT - Town was out of compliance with the PERA and State Statute.

RECOMMENDATION - The Village should create a reminder system to alert when periodic reports are due to avoid missing deadlines and incurring any fines and penalties.

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2015-006 - PERA Reporting - Compliance (repeated and revised) (Cont.)

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - The overdue reports were filed on July 26, 2016 by the Village Clerk, resolving the finding. The Village Clerk and the Finance Director hired in August 2016 developed policies and procedures within the finance department to ensure that periodic reports such as PERA are appropriately handled within the specific time frame.

2015-007 - Late Submission of Audit Report - Compliance (Repeated and Revised)

CONDITION - The audit report for the fiscal year ended June 30, 2016 was not submitted by the New Mexico State Auditor Rule deadline.

PROGRESS OF RESOLVING PRIOR YEAR FINDING – The Village has not made progress regarding the resolution to the is finding due to external circumstances. The audit for the 2015 fiscal year was completed in September 2016. Due to the State Auditor rotation rule, the auditor for the 2015 fiscal year audit was not eligible to perform the fiscal year 2016 audit, and the Village could not contract with a new auditor for the 2016 fiscal year audit until the 2015 fiscal year audit was completed and approved. The timing of the contract approval (Finding 2016-001) did not provide adequate time to allow the new auditor to adequately plan, perform and complete the audit by the December 15th deadline.

CRITERIA - New Mexico State Auditor Rule 2.2.2.9A(1) requires audit reports for municipalities be submitted by December 15th following the end of the fiscal year.

CAUSE - Significant delays in the 2015 Fiscal Year audit report pushed the contract for the 2016 Fiscal Year audit past the State Auditor deadline, which subsequently resulted in the 2016 audit report to not be filed on time.

EFFECT - The Village is out of compliance with New Mexico State Auditor Rule 2.2.2.9A (1).

RECOMMENDATION - Continuity and communications between the IPA and the Village would make the audit process more efficient and be able to submit the report on time.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - Village has already contracted with the IPA for the 2017 audit and the Finance Director will coordinate and communicate with the IPA for information and fieldwork dates so that the 2017 audit report will be submitted by the correct date. This finding should be resolved by December 15, 2017.

2016-001 - Late Submission of Audit Contract and IPA Recommendation - Compliance

CONDITION - Per 2.2.2.8(G)(6)(c) NMAC Audit Rule, the Village did not meet the deadline for submission of the agreed-upon procedures contract and recommendation by the deadline for the fiscal year ending 2016.

CRITERIA - 2.2.2.8(G)(6)(c) NMAC Audit Rule requires that the audit contract and IPA recommendation be submitted to the Office of the State Auditor by May 15th of each year for those agencies with a June 30 fiscal year end.

CAUSE - The audit contract and recommendation was prepared on November 15, 2016 by Village personnel and received contract approval from the State Auditor's Office on December 6, 2016.

EFFECT - Late submission of the 2015 audit report prepared by the prior auditor forced the delay of submitting the 2016 audit contract and recommendation after the contract submission deadline since the Village cannot have contracts with two IPAs running concurrently.

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2016-001 - Late Submission of Audit Contract and IPA Recommendation – Compliance (Cont.)

RECOMMENDATION - We recommend the Village coordinate with the IPA regarding timing of the audit and contract submission for the 2017 fiscal audit.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - The Village Finance Director submitted the 2017 audit contract with the current IPA on March 21, 2017 and received approval on March 30, 2017, resolving the finding.

2016-002 - Gross Receipts Tax Reports – Material Weakness

CONDITION - The following items were noted regarding CRS-1 reports for the Village:

- Gross receipts tax was incorrectly reported as compensating tax from March 2016 to January 2017
- CRS-1 reports for Smokey Bear Enterprise Fund from February to June 2016 were filed on October 5, 2016, incurring late fees and fines of approximately \$53.
- CRS-1 reports for Utility Water & Sewer Fund for March to June 2016 were filed on August 22, 2016, incurring late fees and fines of approximately \$232.
- CRS-1 were reporting the incorrect month's collections and remittances from July 2015 to January 2016.
- State withholding was omitted on CRS-1 reports from October 2014 to February 2016, causing the Village to be approximately \$13,832 in arrears to the Tax and Revenue Department.
- No secondary review of CRS-1 calculations or reports was done to catch filing errors.

CRITERIA - State Statute 7-9-3.2 NMSA 1978 imposes a governmental gross receipts tax rate of 5% on the collection of sanitation, water and sewage services by a utility owned or operated by a county, municipality or other political subdivision of the state. CRS-1 forms are to be filed by the 25th of the month following the collection of the gross receipts tax. State withholding from payroll is to be included on the CRS-1.

CAUSE - Lack of sufficient training and supervision in the calculation, preparation and remittance of the CRS-1, combined with the health and turnover rate of finance department personnel contributed to the errors in reporting.

EFFECT - The Village is out of compliance with the state statutes, causing the Village to incur unnecessary fines and penalties expenditures.

RECOMMENDATION - The Village Clerk and Finance Director need to review the policies and procedures regarding governmental gross receipts and CRS-1 responsibility and supervision.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - The Finance Director hired in August 2016 has reviewed and amended the CRS-1 reports for the months in question and has developed a policy and procedure for the calculation, second review, and submission of the reports. This finding was resolved in April 2017.

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2016-003 – Bank Reconciliations Not Timely Performed – Significant Deficiency

CONDITION - Cash balances in several funds were changed after the initial bank reconciliations were performed, and no subsequent reconciliations were done to update to reconcile the fund to the bank statement.

CRITERIA - Reconciliations are to be performed in a timely manner to ensure accurate balances for financial reporting purposes.

CAUSE - Staff turnover in the finance department caused a lapse in having the duties performed within the timely manner

EFFECT - Village management did not have an accurately reported balance cash balance in multiple funds for several months.

RECOMMENDATION - The Village needs to have policies and procedures in place to ensure that cash reconciliations are timely performed, and update the reconciliations if any changes are made after the initial reconciliation.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - The Village has elected to pool the eligible cash accounts into one operating accounts so reconciliations are easier and more accurate. The Finance Director is coordinating this cash balance reorganization and the finding was resolved in January 2017.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2016**

Finding	Status
2015-001 Sufficiency and Completeness of Accounting Records	Resolved
2015-002 Excess of Expenditures over Authorized Budget	Revised, Repeated
2015-003 Interfund Operating Transfers	Revised, Repeated
2015-004 Capital Asset Inventory	Revised, Repeated
2015-005 Budget Reporting	Revised, Repeated
2015-006 PERA Reporting and Payments	Revised, Repeated
2015-007 Late Audit Report	Revised, Repeated

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
EXIT CONFERENCE
JUNE 30, 2016**

The contents of this report were discussed with the Village of Capitan representatives on July 17, 2017. The following individuals were present for the conference:

Village of Capitan

Dennis Haskell, Mayor
Laura McInnis, Village Clerk
Gina Sterrett, Finance Director

Scott Northam, CPA, PC

Scott Northam, CPA

The financial statements of the Village of Capitan were prepared by Scott Northam, CPA, PC from original books and records provided by and with assistance from the management of the Village.

Although standards strongly emphasize the Village prepare its own financial statements, the consensus between Village management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the Village designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The Village reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes and Supplemental schedules, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.