

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

INTRODUCTORY SECTION

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VILLAGE OF CAPITAN
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**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
OFFICIAL ROSTER
JUNE 30, 2017**

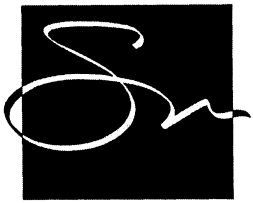
VILLAGE COUNCIL

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
Gina Sterrett	Finance Director

FINANCIAL SECTION



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, 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, and 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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the respective budgetary comparisons, for the General Fund and the major special revenue fund of the Village of Capitan, New Mexico as of June 30, 2017, and, the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary 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, 2017, 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 financial statements that collectively comprise the Village's basic financial statements and the budgetary comparisons of the General Fund and the major special revenue fund. The supplementary information as noted in the table of contents as required by Section 2.2.2 NMAC is the responsibility of management and was derived from and relates 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 supplementary 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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 the 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
December 5, 2017

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,845,342	\$ 997,672	\$ 2,843,014
NMFA Cash and Equivalents	42	-	42
LGIP Investment	8,895	2,270	11,165
Accounts Receivable, Net	-	68,897	68,897
Inventory	-	11,016	11,016
Taxes Receivable			
Gross Receipts	69,010	-	69,010
Infrastructure Gross Receipts	3,408	-	3,408
Franchise	2,066	-	2,066
Property	13,574	-	13,574
Other	259	-	259
Total Current Assets	<u>1,942,596</u>	<u>1,079,855</u>	<u>3,022,451</u>
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents			
Customer Deposits	-	37,630	37,630
Debt Service Reserve CD	514,173	410,686	924,859
Capital Assets, Net	<u>5,331,605</u>	<u>7,956,805</u>	<u>13,288,410</u>
Total Noncurrent Assets	<u>5,845,778</u>	<u>8,405,121</u>	<u>14,250,899</u>
Total Assets	<u>7,788,374</u>	<u>9,484,976</u>	<u>17,273,350</u>
DEFERRED OUTFLOWS OF RESOURCES			
NMFA Grant Funds Available	-	75,000	75,000
Net Pension Liability Deferred Outflows	132,864	-	132,864
Post Measurement Date Employer Contributions	<u>14,910</u>	<u>-</u>	<u>14,910</u>
Total Deferred Outflows of Resources	<u>147,774</u>	<u>75,000</u>	<u>222,774</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,936,148</u>	<u>\$ 9,559,976</u>	<u>\$ 17,496,124</u>

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

	Governmental Activities	Business-Type Activities	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, 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	-	6,526	6,526
Accrued Interest	-	14,378	14,378
Accrued Vacation, Current Portion	8,235	4,267	12,502
Current Portion of Long-Term Debt	13,328	27,049	40,377
Total Current Liabilities	<u>125,999</u>	<u>91,519</u>	<u>217,518</u>
NONCURRENT LIABILITIES			
Customer Deposits	-	37,625	37,625
Accrued Vacation, Net of Current Portion	13,290	4,223	17,513
Long-Term Debt, Net of Current Portion	27,137	768,896	796,033
Net Pension Liability	272,997	-	272,997
Total Noncurrent Liabilities	<u>313,424</u>	<u>810,744</u>	<u>1,124,168</u>
Total Liabilities	<u>439,423</u>	<u>902,263</u>	<u>1,341,686</u>
DEFERRED INFLOWS OF RESOURCES			
Net Pension Liability Deferred Inflows	4,923	-	4,923
NMFA Grant Funds Available	-	67,500	67,500
Total Deferred Inflows of Resources	<u>4,923</u>	<u>67,500</u>	<u>72,423</u>
NET POSITION			
Net Investment in Capital Assets	5,291,140	7,160,860	12,452,000
Restricted for:			
Special Revenue Funds	46,935	-	46,935
Debt Service	514,173	410,686	924,859
Unrestricted	1,639,554	1,018,667	2,658,221
Total Net Position	<u>7,491,802</u>	<u>8,590,213</u>	<u>16,082,015</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,936,148</u>	<u>\$ 9,559,976</u>	<u>\$ 17,496,124</u>

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Primary Government</i>				
Governmental Activities:				
General Administration	\$ 318,027	\$ 8,125	\$ 109,364	\$ -
Streets	223,350	-	-	164,248
Public Works	4,415	-	-	58,112
Public Safety	344,757	-	108,052	65,082
Culture and Recreation	5,700	-	6,903	-
Judicial	29,283	5,961	-	-
Interest and Fiscal Charges	1,192	-	-	-
Depreciation	375,326	-	-	-
<i>Total Governmental Activities</i>	1,302,050	14,086	224,319	287,442
Business-Type Activities:				
Smokey Bear Enterprise Fund	67,615	64,483	-	-
Solid Waste Fund	210,674	213,284	-	-
Water Fund	602,889	521,832	-	-
Sewer Fund	92,366	68,022	-	-
Interest and Fiscal Charges	46,791	-	-	-
<i>Total Business-Type Activities</i>	1,020,335	867,621	-	-
Total - Primary Government	\$ 2,322,385	\$ 881,707	\$ 224,319	\$ 287,442

General Revenues

Taxes:

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

Total General Revenues

Change in Net Position Before Transfers

Net Transfers

Change in Net Position After Transfers

Beginning Net Position

Ending Net Position

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (200,538)	\$ -	\$ (200,538)
(59,102)	-	(59,102)
53,697	-	53,697
(171,623)	-	(171,623)
1,203	-	1,203
(23,322)	-	(23,322)
(1,192)	-	(1,192)
<u>(375,326)</u>	<u>-</u>	<u>(375,326)</u>
<u>(776,203)</u>	<u>-</u>	<u>(776,203)</u>
-	(3,132)	(3,132)
-	2,610	2,610
-	(81,057)	(81,057)
-	(24,344)	(24,344)
-	(46,791)	(46,791)
<u>-</u>	<u>(152,714)</u>	<u>(152,714)</u>
<u>(776,203)</u>	<u>(152,714)</u>	<u>(928,917)</u>
393,690	796	394,486
13,885	-	13,885
30,706	-	30,706
78,146	-	78,146
20,730	-	20,730
4,310	-	4,310
-	99,378	99,378
36,896	-	36,896
3,675	1,441	5,116
<u>582,038</u>	<u>101,615</u>	<u>683,653</u>
(194,165)	(51,099)	(245,264)
<u>(4,363)</u>	<u>4,363</u>	<u>-</u>
(198,528)	(46,736)	(245,264)
<u>7,690,330</u>	<u>8,636,949</u>	<u>16,327,279</u>
<u>\$ 7,491,802</u>	<u>\$ 8,590,213</u>	<u>\$ 16,082,015</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, 2017**

	General Fund	Fire Protection Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 1,538,720	\$ 195,626	\$ 110,996	\$ 1,845,342
Debt Service Reserve CD	514,173	-	-	514,173
NMFA Cash and Equivalents	-	-	42	42
LGIP Investment	8,895	-	-	8,895
Taxes Receivable				
Gross Receipts	69,010	-	-	69,010
Infrastructure Gross Receipts	-	-	3,408	3,408
Franchise	2,066	-	-	2,066
Property, Net	5,548	-	-	5,548
Other	259	-	-	259
Due from Other Funds	-	-	23,519	23,519
Total Assets	\$ 2,138,671	\$ 195,626	\$ 137,965	\$ 2,472,262
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND				
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	5,548	-	-	5,548
Total Deferred Inflows of Resources	5,548	-	-	5,548
 FUND BALANCES				
Restricted	514,173	195,626	91,030	800,829
Assigned	-	-	46,935	46,935
Unassigned	1,490,995	-	-	1,490,995
Total Fund Balances	2,005,168	195,626	137,965	2,338,759
Total Liabilities Deferred Inflows of Resources, and Fund Balances	\$ 2,138,671	\$ 195,626	\$ 137,965	\$ 2,472,262

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
RECONCILIATION OF GOVERNMENTAL FUNDS
FUND BALANCE TO GOVERNMENT ACTIVITIES
NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds	\$	2,338,759
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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.		5,331,605
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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.		13,574
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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	(21,525)	
Notes and Bonds Payable	<u>(40,465)</u>	(61,990)

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	14,910	
NPL Deferred Outflows	132,864	
NPL <i>Deferred Inflows</i>	(4,923)	
Net Pension Liability	<u>(272,997)</u>	(130,146)

Net Position of Governmental Activities	\$	<u>7,491,802</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, 2017**

	General Fund	Fire Protection Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes				
Gross Receipts	\$ 391,760	\$ -	\$ 1,930	\$ 393,690
Infrastructure Gross Receipts	-	-	13,885	13,885
Franchise	30,706	-	-	30,706
Property	78,146	-	-	78,146
Gasoline	-	-	20,730	20,730
Lodger's	-	-	4,310	4,310
Intergovernmental				
State				
Small Cities Assistance	109,364	-	-	109,364
Operating Grants	6,903	86,252	21,800	114,955
Capital Grants	164,248	65,082	58,112	287,442
Charges for Service	3,743	-	-	3,743
Miscellaneous	22,455	-	14,441	36,896
Licenses, Fees and Permits	4,382	-	-	4,382
Fines and Forfeits	3,676	-	2,285	5,961
Interest	3,043	303	329	3,675
	<u>818,426</u>	<u>151,637</u>	<u>137,822</u>	<u>1,107,885</u>
Total Revenues				
EXPENDITURES				
Current				
General Administration	317,773	-	-	317,773
Streets	212,871	-	2,643	215,514
Public Works	-	-	4,415	4,415
Public Safety	252,310	43,755	8,900	304,965
Culture and Recreation	-	-	5,700	5,700
Judicial	29,173	-	-	29,173
Debt Service				
Principal	-	-	12,688	12,688
Interest	-	-	1,192	1,192
Capital Outlay	<u>122,687</u>	<u>65,082</u>	<u>139,826</u>	<u>327,595</u>
	<u>934,814</u>	<u>108,837</u>	<u>175,364</u>	<u>1,219,015</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>(116,388)</u>	<u>42,800</u>	<u>(37,542)</u>	<u>(111,130)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,899	54,458	2,380	60,737
Transfers Out	<u>(2,380)</u>	<u>-</u>	<u>(62,720)</u>	<u>(65,100)</u>
Total Other Financing Sources (Uses)	<u>1,519</u>	<u>54,458</u>	<u>(60,340)</u>	<u>(4,363)</u>
Excess (Deficiency) of Revenues over Expenditures After Transfers	<u>(114,869)</u>	<u>97,258</u>	<u>(97,882)</u>	<u>(115,493)</u>
Fund Balance, Beginning of Year	<u>2,120,037</u>	<u>98,368</u>	<u>235,847</u>	<u>2,454,252</u>
Fund Balance, End of Year	<u>\$ 2,005,168</u>	<u>\$ 195,626</u>	<u>\$ 137,965</u>	<u>\$ 2,338,759</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, 2017**

Net Changes in Fund Balance - Governmental Funds	\$	(115,493)
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.		327,595
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.		(375,326)
Changes in long-term liabilities are reported as expenditures in the Governmental Funds but as changes in liabilities in the Statement of Activities. Those changes in long-term liabilities include:		
Change in Accrued Compensated Absences	(13,272)	
Long-Term Obligations Principal Payments	<u>12,688</u>	(584)
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 for the Village, and therefore are not included in the Governmental Funds.		<u>(34,720)</u>
Change in Net Position of Governmental Activities	\$	<u>(198,528)</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Gross Receipts	\$ 678,085	\$ 678,085	\$ 423,519	\$ (254,566)
Franchise	36,000	36,000	36,485	485
Property	81,332	81,332	78,149	(3,183)
Other	2,500	2,500	-	(2,500)
Intergovernmental				
State				
Small Cities Assistance	250,000	250,000	109,364	(140,636)
Operating Grants	-	-	6,903	6,903
Capital Grants	258,278	258,278	164,248	(94,030)
Charges for Service	3,500	3,500	3,743	243
Miscellaneous	88,000	88,000	22,455	(65,545)
Licenses, Fees and Permits	3,650	3,650	4,382	732
Fines and Forfeits	5,000	5,000	3,676	(1,324)
Interest	6,400	6,400	3,043	(3,357)
Total Revenues	1,412,745	1,412,745	855,967	(556,778)
EXPENDITURES				
Current				
General Administration	244,051	244,051	317,773	(73,722)
Streets	405,000	405,000	212,871	192,129
Public Safety	307,500	307,500	252,310	55,190
Judicial	55,000	55,000	29,173	25,827
Senior Citizens	2,050	2,050	-	2,050
Sanitation	4,019	4,019	-	4,019
Net Transfers	-	-	(1,519)	1,519
Capital Outlay	185,492	185,492	122,687	62,805
Total Expenditures	1,203,112	1,203,112	933,295	269,817
Excess (Deficiency) of Revenues over Expenditures After Transfers	209,633	209,633	(77,328)	(286,961)
Cash Balance, Beginning of Year	2,130,221	2,130,221	2,130,221	-
Cash Balance, End of Year	\$ 2,339,854	\$ 2,339,854	\$ 2,052,893	\$ (286,961)
Reconciliation to GAAP Basis				
Excess (Deficiency) of Revenues over Expenditures - Budget Basis			\$ (77,328)	
Change in:				
Taxes Receivable				
Gross Receipts			(31,759)	
Franchise			(5,779)	
Property Taxes			(3)	
Excess (Deficiency) of Revenues over Expenditures - GAAP Basis			\$ (114,869)	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
FIRE PROTECTION FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
State				
Operating Grants	\$ 86,252	\$ 86,252	\$ 86,252	\$ -
Capital Grants	65,082	65,082	65,082	-
Interest	1,050	1,050	303	(747)
Total Revenues	<u>152,384</u>	<u>152,384</u>	<u>151,637</u>	<u>(747)</u>
EXPENDITURES				
Current				
Public Safety	86,252	86,252	43,755	42,497
Capital Outlay	65,082	65,082	65,082	-
Total Expenditures	<u>151,334</u>	<u>151,334</u>	<u>108,837</u>	<u>42,497</u>
Excess of Revenues over Expenditures	<u>1,050</u>	<u>1,050</u>	<u>42,800</u>	<u>41,750</u>
OTHER FINANCING SOURCES				
Transfers In	-	-	54,458	54,458
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>54,458</u>	<u>54,458</u>
Excess of Revenues over Expenditures After Transfers	<u>1,050</u>	<u>1,050</u>	<u>97,258</u>	<u>96,208</u>
Cash Balance, Beginning of Year	<u>98,368</u>	<u>98,368</u>	<u>98,368</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 99,418</u>	<u>\$ 99,418</u>	<u>\$ 195,626</u>	<u>\$ 96,208</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 97,258</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 97,258</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	Smokey Bear Enterprise Fund	Solid Waste Fund	Water Fund	Waste Water Fund	Total Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets					
Unrestricted Cash and Cash Equivalents	\$ 65,986	\$ 10,482	\$ 678,674	\$ 242,530	\$ 997,672
LGIP Investment	-	-	2,270	-	2,270
Accounts Receivable, Net	-	16,205	52,692	-	68,897
Inventory	11,016	-	-	-	11,016
Total Current Assets	<u>77,002</u>	<u>26,687</u>	<u>733,636</u>	<u>242,530</u>	<u>1,079,855</u>
Noncurrent Assets					
Restricted Cash and Cash Equivalents					
Customer Deposits	-	-	37,630	-	37,630
Debt Service Reserve	-	-	410,686	-	410,686
Capital Assets, Net	696	-	7,344,836	611,273	7,956,805
Total Noncurrent Assets	<u>696</u>	<u>-</u>	<u>7,793,152</u>	<u>611,273</u>	<u>8,405,121</u>
Total Assets	77,698	26,687	8,526,788	853,803	9,484,976
Deferred Outflows of Resources					
NMFA Grant/Loan Funds Available	-	-	75,000	-	75,000
Total Deferred Outflows	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 77,698</u>	<u>\$ 26,687</u>	<u>\$ 8,601,788</u>	<u>\$ 853,803</u>	<u>\$ 9,559,976</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ -	\$ 39,299	\$ -	\$ -	\$ 39,299
Accrued Sales Tax	1,807	-	4,719	-	6,526
Accrued Interest	-	-	14,378	-	14,378
Accrued Vacation, Current Portion	688	-	3,579	-	4,267
Current Portion of Long-Term Debt	-	-	27,049	-	27,049
Total Current Liabilities	<u>2,495</u>	<u>39,299</u>	<u>49,725</u>	<u>-</u>	<u>91,519</u>
Noncurrent Liabilities					
Customer Deposits	-	-	37,625	-	37,625
Accrued Vacation, Net of Current Portion	-	-	4,223	-	4,223
Long-Term Debt, Net of Current Portion	-	-	768,896	-	768,896
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>810,744</u>	<u>-</u>	<u>810,744</u>
Total Liabilities	<u>2,495</u>	<u>39,299</u>	<u>860,469</u>	<u>-</u>	<u>902,263</u>
Deferred Inflows of Resources					
NMFA Grant Funds Available	-	-	67,500	-	67,500
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>67,500</u>	<u>-</u>	<u>67,500</u>
NET POSITION					
Net Investment in Capital Assets	696	-	6,548,891	611,273	7,160,860
Restricted - Debt Service	-	-	410,686	-	410,686
Unrestricted	74,507	(12,612)	714,242	242,530	1,018,667
Total Fund Net Position	<u>75,203</u>	<u>(12,612)</u>	<u>7,673,819</u>	<u>853,803</u>	<u>8,590,213</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 77,698</u>	<u>\$ 26,687</u>	<u>\$ 8,601,788</u>	<u>\$ 853,803</u>	<u>\$ 9,559,976</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	Smokey Bear Enterprise Fund	Solid Waste Fund	Water Fund	Waste Water Fund	Total Funds
OPERATING REVENUES					
Sales	\$ 63,676	\$ -	\$ -	\$ -	\$ 63,676
Charges for Services					
Water	-	-	500,175	-	500,175
Sewer	-	-	-	68,022	68,022
Sanitation	-	204,766	-	-	204,766
Late Fees	-	6,812	12,862	-	19,674
Other Revenue	807	1,706	8,795	-	11,308
	<u>64,483</u>	<u>213,284</u>	<u>521,832</u>	<u>68,022</u>	<u>867,621</u>
Total Operating Revenues	64,483	213,284	521,832	68,022	867,621
OPERATING EXPENSES					
Personnel Services and Benefits	25,451	-	246,818	-	272,269
Professional and Contracted Services	1,736	191,518	43,261	-	236,515
Supplies and Materials	36,070	-	40,547	-	76,617
Occupancy, Repairs and Maintenance	3,143	-	56,837	47,582	107,562
Other Expenses	969	19,156	26,726	-	46,851
Depreciation	246	-	188,700	44,784	233,730
	<u>67,615</u>	<u>210,674</u>	<u>602,889</u>	<u>92,366</u>	<u>973,544</u>
Total Operating Expenses	67,615	210,674	602,889	92,366	973,544
Operating Income/(Loss)	(3,132)	2,610	(81,057)	(24,344)	(105,923)
NONOPERATING REVENUE (EXPENSES)					
Environmental Gross Receipts	-	796	-	-	796
Water Rights Lease	-	-	99,378	-	99,378
Transfers In	4,139	224	-	222,090	226,453
Transfers Out	-	-	(222,090)	-	(222,090)
Interest Income	106	55	1,280	-	1,441
Interest Expense	-	-	(46,791)	-	(46,791)
	<u>4,245</u>	<u>1,075</u>	<u>(168,223)</u>	<u>222,090</u>	<u>59,187</u>
Total Nonoperating Revenue (Expenses)	4,245	1,075	(168,223)	222,090	59,187
Change in Net Position	1,113	3,685	(249,280)	197,746	(46,736)
Beginning Net Position	74,090	(16,297)	7,923,099	656,057	8,636,949
Net Position, End of Year	\$ 75,203	\$ (12,612)	\$ 7,673,819	\$ 853,803	\$ 8,590,213

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	Smokey Bear Enterprise Fund	Solid Waste Fund	Water Fund	Waste Water Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 65,312	\$ 213,284	\$ 518,803	\$ 68,022	\$ 865,421
Payments to and on Behalf of Employees	(25,451)	-	(242,595)	-	(268,046)
Payments to Suppliers and Contractors	<u>(41,918)</u>	<u>(210,674)</u>	<u>(167,371)</u>	<u>(47,582)</u>	<u>(467,545)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,057)</u>	<u>2,610</u>	<u>108,837</u>	<u>20,440</u>	<u>129,830</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Interest Paid	-	-	(46,791)	-	(46,791)
Principal Payments on Debt Obligations	<u>-</u>	<u>-</u>	<u>(26,643)</u>	<u>-</u>	<u>(26,643)</u>
Net Cash (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(73,434)</u>	<u>-</u>	<u>(73,434)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Environmental Gross Receipts	-	796	-	-	796
Transfers In	4,139	224	-	222,090	226,453
Transfers Out	<u>-</u>	<u>-</u>	<u>(222,090)</u>	<u>-</u>	<u>(222,090)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,139</u>	<u>1,020</u>	<u>(222,090)</u>	<u>222,090</u>	<u>5,159</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	106	55	1,280	-	1,441
Interest Income Reinvested in LGIP	-	-	(4)	-	(4)
Water Rights Lease Income	-	-	99,378	-	99,378
Capital Grant Proceeds	<u>-</u>	<u>-</u>	<u>25,480</u>	<u>-</u>	<u>25,480</u>
Net Cash Provided by Investing Activities	<u>106</u>	<u>55</u>	<u>126,134</u>	<u>-</u>	<u>126,295</u>
NET CHANGE IN CASH	2,188	3,685	(60,553)	242,530	187,850
CASH AT BEGINNING OF YEAR	63,798	6,797	1,187,543	-	1,258,138
CASH AT END OF YEAR	<u>\$ 65,986</u>	<u>\$ 10,482</u>	<u>\$ 1,126,990</u>	<u>\$ 242,530</u>	<u>\$ 1,445,988</u>
Reconciliation of Operating Income (Loss) to					
Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (3,132)	\$ 2,610	\$ (81,057)	\$ (24,344)	\$ (105,923)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities:					
Depreciation	246	-	188,700	44,784	233,730
Changes In:					
Customer Deposits	-	-	2,850	-	2,850
Accrued Sales Tax	829	-	(5,879)	-	(5,050)
Accrued Compensated Absences	<u>-</u>	<u>-</u>	<u>4,223</u>	<u>-</u>	<u>4,223</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,057)</u>	<u>\$ 2,610</u>	<u>\$ 108,837</u>	<u>\$ 20,440</u>	<u>\$ 129,830</u>
Reconciliation to the Balance Sheet					
Unrestricted	\$ 65,986	\$ 10,482	\$ 678,674	\$ 242,530	\$ 997,672
Restricted					
Debt Service Reserve CD	-	-	410,686	-	410,686
Customer Deposits	<u>-</u>	<u>-</u>	<u>37,630</u>	<u>-</u>	<u>37,630</u>
CASH AT END OF YEAR	<u>\$ 65,986</u>	<u>\$ 10,482</u>	<u>\$ 1,126,990</u>	<u>\$ 242,530</u>	<u>\$ 1,445,988</u>
Supplemental Cash Flow Disclosures					
Interest Paid	\$ -	\$ -	\$ 46,791	\$ -	\$ 46,791

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017**

	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, 2017**

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, 2017.

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, which rely 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, 2017**

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 the modified 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, 2017**

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 on 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 non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the supplementary 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, 2017**

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 total net 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 **Water Fund** is used to account for the provision of water 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.
- The **WasteWater Fund** is used to account for the provision of 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.

Agency Funds - These funds are used to account for monies held by the City in a capacity as an agent for various organizations and other outside parties. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgetary Information - Budgetary Basis of Accounting Annual budgets are prepared and adopted on a cash basis of accounting, which is consistent with generally accepted accounting principles, for the general fund, special revenue funds, debt services funds, and enterprise funds. Capital project funds adopt project-length budgets. Agency funds are not budgeted. Appropriated budgets are prepared by fund, department, and functional category (i.e., personnel, operations, and capital outlay). The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the fund level.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Prior to June 1st, budgets are prepared, balanced, and approved by resolution by City Council and submitted to the State of New Mexico's Department of Finance and Administration (DFA) for oversight approval. Once the budget has been formally approved, amendments (increases, decreases to the overall amounts) must be approved by the Mayor and the City Council and DFA.

All annual appropriations lapse at fiscal year-end even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Valid outstanding encumbrances (performance under the executory contract is expected in the next year) are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Excess of Expenditures over Appropriations - The Village exceeded the budgetary authority in the following funds: Solid Waste Fund - \$25,226, Law Enforcement Protection Fund - \$563, and Municipal Street Fund - \$97,469.

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.

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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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. Water rights are considered to have an indefinite life and are not subject to amortization under GASB 51.

GASB 34 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, 2017.

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 withheld from the actual debt proceeds received or paid in advance, are reported as debt service expenditures.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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 non-vesting 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 grant 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.

Fund Balance - Governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of resources: Non-spendable, Restricted, Committed, Assigned and Unassigned. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, e.g., prepaid items or inventories; or (b) legally or contractually required to be maintained intact. *Restricted fund balances have limitations placed on the funds by external means or legislation. Committed fund balances have self-imposed limitations.* Assigned fund balances have an intended use factor for a specific fund, and unassigned fund balances are excess funds not categorized in the other classifications.

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.
- ***Restricted fund balance*** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- ***Committed fund balance*** - amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e., Village Council). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same type of action to remove or change the constraint.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

- **Assigned fund balance** - amounts the Village intends to use for a specific purpose. Intent can be expressed by the Village Council or by an official or body to which the Village Council delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

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.

Proprietary Funds Net Position - The government-wide financial statements and proprietary funds utilize a net position presentation 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 \$12,612, resulting from the Village not collecting enough in sanitation charges to cover the expenditures to the sanitation contractor.

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 funds and/or transfers between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

Expenditures – Governmental Funds expenditures are classified as operating or non-operating according to the following criteria:

Operating expenditures - 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 expenditures - 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 – GASB 56 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, 2017**

NOTE B - CASH AND CASH EQUIVALENTS

During the 2017 fiscal year, the Village converted to a pooled cash system and combined the multiple checking accounts into one operating account and changed financial institutions. As of June 30, 2017, 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, 2017, of the cash and cash equivalents on deposit with financial institutions:

	Bank Balance June 30, 2017	Net Items Outstanding	Book Balance June 30, 2017
City Bank			
Certificates of Deposit:			
Water Fund Debt Service Reserve CD	\$ 102,182	\$ -	\$ 102,182
Total Certificate of Deposit	<u>102,182</u>	<u>-</u>	<u>102,182</u>
Non-Interest-Bearing Checking Accounts:			
CDBG Senior Center	644	-	644
Agency Funds			
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>\$ 104,725</u>	<u>\$ -</u>	<u>\$ 104,725</u>
Washington Federal			
Interest-Bearing Checking Account:			
Operating Account	\$ 2,944,193	\$ (64,493)	\$ 2,879,700
Certificates of Deposit:			
General Fund Debt Service	514,173	-	514,173
Water Fund Debt Reserve	<u>308,504</u>	<u>-</u>	<u>308,504</u>
Total Certificates of Deposit	<u>822,677</u>	<u>-</u>	<u>822,677</u>
Total – Washington Federal	<u>\$ 3,766,870</u>	<u>\$ (64,793)</u>	<u>\$ 3,702,377</u>
	Washington Federal	City Bank	Totals
<u>Reconciliation to Financial Statements</u>			
Governmental Activities			
Unrestricted	\$ 1,844,698	\$ 644	\$ 1,845,342
Restricted	<u>514,173</u>	<u>-</u>	<u>514,173</u>
Total Governmental Activities	<u>2,358,871</u>	<u>644</u>	<u>2,359,515</u>
Business-type Activities			
Unrestricted	997,372	-	997,372
Restricted – Debt Service	308,504	102,182	410,686
Restricted – Customer Deposits	37,630	-	37,630
Water & Sewer Fund Petty Cash	<u>-</u>	<u>-</u>	<u>300</u>
Total Business-type Activities	<u>1,343,506</u>	<u>102,182</u>	<u>1,445,988</u>
Agency Funds	<u>-</u>	<u>1,899</u>	<u>1,899</u>
Total Cash and Cash Equivalents	<u>\$ 3,702,377</u>	<u>\$ 104,725</u>	<u>\$ 3,807,402</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

State statute 2-60-2 NMSA, 1978 authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or credit union associations within the geographical boundaries of the Village, or the County if no institutions are available within the municipality limits. All invested funds of the Village properly followed State investment and depository requirements as of June 30, 2017.

Restricted Cash - The Village has restricted \$37,630 in the Water Fund for customer deposits which is maintained in the consolidated operating account bank account but is segregated on the financial statements.

The Village has restricted certificates of deposit of \$514,173 in the governmental activities and \$410,686 in the business-type activities for debt service reserves.

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.

Section 6-10-17, NMSA 1978, requires deposits of public monies 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.

	Washington Federal	City Bank	Totals
Deposits on Hand	\$ 3,766,870	\$ 104,725	\$ 3,871,595
Less FDIC Coverage	<u>(250,000)</u>	<u>(104,725)</u>	<u>(354,725)</u>
Uninsured Funds	3,516,870	-	3,516,870
 Pledged Collateral Held by the Pledging Bank's Trust Department or Agent	 <u>4,662,397</u>	 <u>-</u>	 <u>4,662,397</u>
Uninsured and (Over)/Under Collateralized	<u>\$ (1,145,527)</u>	<u>\$ -</u>	<u>\$ (1,145,527)</u>
 50% Pledged Collateral Requirement per Statute	 \$ 1,758,435	 \$ -	 \$ 1,758,435
Pledged Collateral	<u>4,662,397</u>	<u>-</u>	<u>4,662,397</u>
(Over) Under Collateralized	<u>\$ (2,903,962)</u>	<u>\$ -</u>	<u>\$ (2,903,962)</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, 2017, \$3,516,870 of the Village's bank balance of \$3,871,595 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 Washington Federal.

Washington Federal Pledged Collateral:	Maturity	Market Value	Par Value
FNMA PL#BC2636 – 3140EW4W2	11/01/2046	<u>\$ 4,662,397</u>	<u>\$ 4,900,000</u>
Total Collateral Pledged		<u>\$ 4,662,397</u>	<u>\$ 4,900,000</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 2017 fiscal year end, the Village has approximately \$8,895 on deposit with the LGIP reported in the General Fund, and \$2,270 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, 2017 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 in the General Fund. Total delinquent property taxes receivable as of June 30, 2017 is approximately \$13,574, with \$8,026 of the delinquent taxes reserved as uncollectible and the remaining \$5,548 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	\$ 69,010	\$ -	\$ 69,010
Infrastructure Gross Receipts Tax	3,408	-	3,408
Property Tax	13,574	(8,026)	5,548
Franchise Tax	2,066	-	2,066
Other Taxes	<u>259</u>	<u>-</u>	<u>259</u>
Taxes Receivable	<u>\$ 88,317</u>	<u>\$ (8,026)</u>	<u>\$ 80,291</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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	\$ -	\$ 16,205	\$ 71,357	\$ 87,562
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>	<u>(18,665)</u>	<u>(18,665)</u>
Accounts Receivable – Net	<u>\$ -</u>	<u>\$ 16,205</u>	<u>\$ 52,692</u>	<u>\$ 68,897</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 - FUND TRANSFERS

The Village transfers between fund to subsidize or reimburse other funds for expenditures, either by statute or by Council authorization. The schedule below details the transfers between funds for the fiscal year.

From Fund	To Fund	Reason	Amount
General Fund	Municipal Streets	Subsidize Operations	\$ 1,724
General Fund	Law Enforcement Protection	Subsidize Operations	656
Fire Equipment	Fire Protection	Close Fund	48,819
Fire Donation	Fire Protection	Close Fund	5,639
Juvenile Recreation	General Fund	Close Fund	3,899
Smokey Bear Donation	Smokey Bear Enterprise	Close Fund	4,139
Environmental Gross Receipts	Solid Waste Fund	Consolidate Funds	224
Water	WasteWater	Establish Fund	<u>222,090</u>
		Total Transfers	<u>\$ 287,190</u>

The transfer amounts between types of funds are summarized below:

From Fund Type	To Fund Type	Amount	Totals
Governmental	Governmental	\$ 60,737	
	Proprietary	<u>4,363</u>	\$ 65,100
Proprietary	Proprietary	222,090	
	Governmental	<u>-</u>	<u>222,090</u>
Total Transfers			<u>\$ 287,190</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE E - CAPITAL ASSETS

The following capital asset activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
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	1,387,974	-	-	1,387,974
Streets and Infrastructure	5,309,219	262,513	-	5,571,732
Vehicles	1,915,450	65,082	-	1,980,532
Machinery and Equipment	<u>548,282</u>	<u>-</u>	<u>-</u>	<u>548,282</u>
Total Depreciable Capital Assets	<u>9,160,925</u>	<u>327,595</u>	<u>-</u>	<u>9,488,520</u>
Accumulated Depreciation				
Buildings and Improvements	(514,534)	(45,547)	-	(560,081)
Streets and Infrastructure	(1,539,113)	(212,369)	-	(1,751,482)
Vehicles	(1,613,975)	(79,129)	-	(1,693,104)
Machinery and Equipment	<u>(235,142)</u>	<u>(38,281)</u>	<u>-</u>	<u>(273,423)</u>
Accumulated Depreciation	<u>(3,902,764)</u>	<u>(375,326)</u>	<u>-</u>	<u>(4,278,090)</u>
Total Depreciable Capital Assets, Net	<u>5,258,161</u>	<u>(47,731)</u>	<u>-</u>	<u>5,210,430</u>
Capital Assets, Net	<u>\$ 5,379,336</u>	<u>\$ (47,731)</u>	<u>\$ -</u>	<u>\$ 5,331,605</u>

Management elected to present the Governmental Activities depreciation expense of \$375,326 as a separate line-item expense on the Statement of Activities rather than allocating the expense to each function within the primary government.

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
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	6,984,622	-	-	6,984,622
Sewer System	824,687	-	-	824,687
Building & Improvements	142,098	-	-	142,098
Vehicles	219,150	-	-	219,150
Machinery & Equipment	144,222	-	-	144,222
Smokey Bear Enterprise	<u>36,566</u>	<u>-</u>	<u>-</u>	<u>36,566</u>
Total Depreciable Capital Assets	<u>8,351,345</u>	<u>-</u>	<u>-</u>	<u>8,351,345</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE E - CAPITAL ASSETS (Cont.)

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Accumulated Depreciation				
Water System	(3,723,742)	(160,539)	-	(3,884,281)
Sewer System	(168,630)	(44,784)	-	(213,414)
Building & Improvements	(19,341)	(4,737)	-	(24,078)
Vehicles	(181,966)	(11,292)	-	(193,258)
Machinery & Equipment	(90,640)	(12,132)	-	(102,772)
Smokey Bear Enterprise	<u>(35,623)</u>	<u>(246)</u>	-	<u>(35,869)</u>
Accumulated Depreciation	<u>(4,219,942)</u>	<u>(233,730)</u>	-	<u>(4,453,672)</u>
Total Depreciable Capital Assets, Net	<u>4,131,403</u>	<u>(233,730)</u>	-	<u>3,897,673</u>
Capital Assets, Net	<u>\$ 8,190,535</u>	<u>\$ (233,730)</u>	<u>\$ -</u>	<u>\$ 7,956,805</u>

NOTE F - LONG-TERM DEBT

The Village had the following long-term debt obligations as of June 30, 2017:

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, 2017 was as follows:

Governmental	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
NMFA 3305-PP	\$ 53,153	\$ -	\$ (12,688)	\$ 40,465	\$ 13,328
Total Long-term Debt	<u>\$ 53,153</u>	<u>\$ -</u>	<u>\$ (12,688)</u>	<u>\$ 40,465</u>	<u>\$ 13,328</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 an interest rate of 4.75% and maturing in December 2041. The loan requires a debt reserve to be held to cover at least one annual payment.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE F - LONG-TERM DEBT (Cont.)

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 40 annual payments ranging from \$12,057 to \$12,870, bearing an interest rate of 4.75% and maturing in February 2042. The loan requires a debt reserve to be held to cover at least one annual payment

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 20 annual payments of approximately \$826, bearing interest of 0.25% with interest paid annually and maturing in June 2034.

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 had an initial principal of \$7,500 with repayment terms of 20 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.

The Village paid approximately \$46,791 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, 2017 was as follows:

Proprietary	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
USDA-RUS 2001	\$ 389,800	\$ -	\$ (10,000)	\$ 379,800	\$ 10,000
USDA-RUS 2002	184,886	-	(3,700)	181,186	3,900
NMFA 2800-CIF	54,706	-	(3,218)	51,488	3,218
NMFA 0266-WTB	14,527	-	(790)	13,737	792
NMFA 3343-CIF	7,500	-	(443)	7,057	392
NMED RIP 2011-03	171,169	-	(8,492)	162,677	8,747
Total Long-term Debt	<u>\$ 822,588</u>	<u>\$ -</u>	<u>\$ (26,643)</u>	<u>\$ 795,945</u>	<u>\$ 27,049</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE F - LONG-TERM DEBT (Cont.)

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
2018	\$ 3,328	\$ 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	-	-	-	28,954	29,618	58,572
2023-2027	-	-	-	158,113	130,857	288,970
2028-2032	-	-	-	193,838	100,130	293,968
2033-2037	-	-	-	144,342	64,404	208,746
2048-2042	-	-	-	159,686	26,098	185,784
	<u>\$ 40,465</u>	<u>\$ 1,175</u>	<u>\$ 41,640</u>	<u>\$ 795,945</u>	<u>\$ 478,427</u>	<u>\$ 1,274,372</u>

NOTE G - 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, 2017 is detailed below. Vacation for the governmental activities is 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, 2016	Increases	Decreases	Balance June 30, 2017	Payable Within One Year
Governmental Activities	\$ 8,253	\$ 22,448	\$ (9,176)	\$ 21,525	\$ 8,235
Business-type Activities	<u>4,267</u>	<u>8,948</u>	<u>(4,725)</u>	<u>8,490</u>	<u>4,267</u>
Total	<u>\$ 12,520</u>	<u>\$ 31,396</u>	<u>\$ (13,901)</u>	<u>\$ 30,015</u>	<u>\$ 12,502</u>

NOTE H - RETIREE 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.

NOTE I - 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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE I - PERA PENSION PLAN (Cont.)

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-B.

Benefits Provided. For a description of the benefits provided and recent changes to the benefits, refer to the PERA audited financial statements for the fiscal year ended June 30, 2016 available at: <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

Contributions. The contribution requirements of defined benefit plan members and the City 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 of the PERA FY 16 annual audit report, which may be obtained at <http://saonm.org> using the Audit Report Search function for agency 366-B.

The PERA coverage option that applies to the Village is the Police Division. Statutorily required contributions to the pension plan from the Village were \$14,910 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2017.

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, 2016.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE I - PERA PENSION PLAN (Cont.)

PERA Fund Division - Police. At June 30, 2017, the Village reported a liability of \$272,997 for its proportionate share of the net pension liability. At June 30, 2016, the Village's proportion was 0.0370%, which was higher than its 0.0261% proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village recognized PERA Fund - Police, pension expense of \$49,630. At June 30, 2017, 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	\$ 18,082	\$ 4,923
Changes in Proportion	51,564	-
Differences Between Expected and Actual Experience	20,042	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	43,176	-
Contributions Subsequent to Measurement Date	<u>14,910</u>	<u>-</u>
Totals	<u>\$ 147,774</u>	<u>\$ 4,923</u>

For the Police Division, \$14,910 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date June 30, 2016 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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,	
2018	\$ 36,539
2019	36,539
2020	42,692
2021	<u>12,171</u>
Totals	<u>\$ 127,941</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, 2016 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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the PERA Board for use in the June 30, 2015 actuarial valuation.

Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Open
Amortization Period	Solved for Based on Statutory Rates
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	7.48% Annual Rate, Net of Investment Expense
Projected Benefit Payment	100 Years
Payroll Growth	2.75% Annual Rate for first 10 years, then 3.25% annual rate
Projected Salary Increases	2.75% to 14.25% Annual Rate
Included Inflation at	2.25% Annual Rate first 10 years, then 2.75% all other years

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE I - PERA PENSION PLAN (Cont.)

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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets to Include Real Estate Equity	<u>20.00</u>	7.35
Totals	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.25% for the first ten years (select period) then 7.75% for all other years (ultimate). The equivalent blended rate of 7.48% will be used to measure the total pension liability. 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 7.48% 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 shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Association's net pension liability in each PERA Fund Division in which the Association participates, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

Proportionate Share of Net Pension Liability	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Police	<u>\$ 401,646</u>	<u>\$ 272,997</u>	<u>\$ 167,777</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at: www.pera.state.nm.us/publications.html.

Payables to the Pension Plan. At June 30, 2017, the Village had no outstanding contributions to the pension plan which is reported within payroll liabilities payable in the General Fund.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE J - 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 K - 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, 2017, nor does it have plans to draw on the funds. The Village plans to allow the grant funds to revert back to the state on or before June 30, 2018.

NMFA 3343-CIF Water System Improvements - The Village has not drawn on the \$67,500 in Colonias Grant Funds and \$7,500 in loan funds (\$75,000 total) for waterline replacements as of June 30, 2017. 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. The Village paid the \$443 toward its loan obligation as noted in Note F.

REQUIRED SUPPLEMENTARY 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	6/30/15	6/30/16	6/30/17
<u>Municipal Police Division</u>			
Schedule of Proportionate Share of Net Pension Liability			
Proportion of Net Pension Liability	0.0209%	0.0261%	0.0370%
Net Pension Liability	68,132	125,503	272,997
Annual Covered Payroll	64,052	90,283	102,872
NPL as Percentage of Covered Payroll	106%	139%	266%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%	69.18%
Schedule of Required Contributions			
Contractually Required Contribution	9,864	13,903	14,910
Contributions Made	9,864	13,903	14,910
Contributions as Percentage of Covered Payroll	15.4%	15.4%	14.5%

*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 SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

Changes of Benefit Terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in of the PERA FY16 audit available at: <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>

Changes of Assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at: <http://www.nmpera.org/financial-overview/retirement-fund-valuation-reports>

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 of the report.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NON-MAJOR FUND DESCRIPTIONS
JUNE 30, 2017**

Cemetery Fund - To account for revenue from plot sales and donations to be used for cemetery maintenance and 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
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Cemetery Fund	Corrections Fund	Fire Equipment Fund	Fire Donation Fund	Municipal Streets Fund
ASSETS					
ASSETS					
Cash and Cash Equivalents	\$ 46,893	\$ 19,826	\$ -	\$ -	\$ 40,581
NMFA Cash and Equivalents	-	-	-	-	-
Taxes Receivable					
Infrastructure Gross Receipts	-	-	-	-	3,408
Due from Other Funds	-	-	-	-	23,519
Total Assets	<u>\$ 46,893</u>	<u>\$ 19,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,508</u>
 FUND BALANCE					
FUND BALANCES					
Restricted	\$ -	\$ 19,826	\$ -	\$ -	\$ 67,508
Assigned	<u>46,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>46,893</u>	<u>19,826</u>	<u>-</u>	<u>-</u>	<u>67,508</u>
Total Fund Balances	<u>\$ 46,893</u>	<u>\$ 19,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,508</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
\$ 3,052	\$ -	\$ -	\$ -	\$ -	\$ 644	\$ 110,996
-	-	42	-	-	-	42
-	-	-	-	-	-	3,408
-	-	-	-	-	-	23,519
<u>\$ 3,052</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 644</u>	<u>\$ 137,965</u>
\$ 3,052	\$ -	\$ -	\$ -	\$ -	\$ 644	\$ 91,030
-	-	42	-	-	-	46,935
3,052	-	42	-	-	644	137,965
<u>\$ 3,052</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 644</u>	<u>\$ 137,965</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Cemetery Fund	Corrections Fund	Fire Equipment Fund	Fire Donation Fund	Municipal Streets Fund
REVENUES					
Taxes					
Environmental Gross Receipts	\$ -	\$ -	\$ -	\$ -	\$ -
Infrastructure Gross Receipts	-	-	-	-	13,885
Gasoline	-	-	-	-	20,730
Lodger's	-	-	-	-	-
Intergovernmental					
State	-	-	-	-	58,112
Fees and Fines	-	2,285	-	-	-
Interest Income	57	25	54	6	129
Miscellaneous	6,425	-	-	-	6,711
Total Revenues	6,482	2,310	54	6	99,567
EXPENDITURES					
Current					
Streets	-	-	-	-	2,643
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Public Safety	-	265	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital Outlay	-	-	-	-	139,826
Total Expenditures	-	265	-	-	142,469
Excess (Deficiency) of Revenues over Expenditures	6,482	2,045	54	6	(42,902)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	1,724
Transfers Out	-	-	(48,819)	(5,639)	-
Total Other Financing Sources (Uses)	-	-	(48,819)	(5,639)	1,724
Excess (Deficiency) of Revenues over Expenditures After Transfers	6,482	2,045	(48,765)	(5,633)	(41,178)
Fund Balance, Beginning	40,411	17,781	48,765	5,633	108,686
Fund Balance, Ending	\$ 46,893	\$ 19,826	\$ -	\$ -	\$ 67,508

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
\$ -	\$ -	\$ -	\$ -	\$ 1,930	\$ -	\$ 1,930
-	-	-	-	-	-	13,885
-	-	-	-	-	-	20,730
4,310	-	-	-	-	-	4,310
-	-	21,800	-	-	-	79,912
-	-	-	-	-	-	2,285
6	-	49	3	-	-	329
-	-	-	1,305	-	-	14,441
<u>4,316</u>	<u>-</u>	<u>21,849</u>	<u>1,308</u>	<u>1,930</u>	<u>-</u>	<u>137,822</u>
-	-	-	-	-	-	2,643
-	-	-	-	4,415	-	4,415
5,700	-	-	-	-	-	5,700
-	-	8,635	-	-	-	8,900
-	-	12,688	-	-	-	12,688
-	-	1,192	-	-	-	1,192
-	-	-	-	-	-	139,826
<u>5,700</u>	<u>-</u>	<u>22,515</u>	<u>-</u>	<u>4,415</u>	<u>-</u>	<u>175,364</u>
<u>(1,384)</u>	<u>-</u>	<u>(666)</u>	<u>1,308</u>	<u>(2,485)</u>	<u>-</u>	<u>(37,542)</u>
-	-	656	-	-	-	2,380
-	(3,899)	-	(4,139)	(224)	-	(62,720)
-	(3,899)	656	(4,139)	(224)	-	(60,340)
(1,384)	(3,899)	(10)	(2,831)	(2,709)	-	(97,882)
4,436	3,899	52	2,831	2,709	644	235,847
<u>\$ 3,052</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 644</u>	<u>\$ 137,965</u>

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
CEMETERY FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for Service	\$ 1,500	\$ 1,500	\$ 6,425	\$ 4,925
Interest Income	100	100	57	(43)
Total Revenues	1,600	1,600	6,482	4,882
EXPENDITURES				
Current				
Culture and Recreation	3,000	3,000	-	3,000
Total Expenditures	3,000	3,000	-	3,000
Excess (Deficiency) of Revenues over Expenditures	(1,400)	(1,400)	6,482	7,882
Cash Balance, Beginning of Year	40,411	40,411	40,411	-
Cash Balance, End of Year	\$ 39,011	\$ 39,011	\$ 46,893	\$ 7,882
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 6,482	
Excess of Revenues over Expenditures - GAAP Basis			\$ 6,482	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
CORRECTIONS FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Fines and Forfeits	\$ 4,000	\$ 4,000	\$ 2,285	\$ (1,715)
Interest Income	175	175	25	(150)
Total Revenues	<u>4,175</u>	<u>4,175</u>	<u>2,310</u>	<u>(1,865)</u>
EXPENDITURES				
Current				
Public Safety	<u>2,000</u>	<u>2,000</u>	<u>265</u>	<u>1,735</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>265</u>	<u>1,735</u>
Excess of Revenues over Expenditures	2,175	2,175	2,045	(130)
Cash Balance, Beginning of Year	<u>17,781</u>	<u>17,781</u>	<u>17,781</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 19,956</u>	<u>\$ 19,956</u>	<u>\$ 19,826</u>	<u>\$ (130)</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 2,045</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 2,045</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
FIRE EQUIPMENT FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Miscellaneous	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Interest Income	-	-	54	54
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>54</u>	<u>(5,946)</u>
EXPENDITURES				
Current				
Public Safety	5,000	5,000	-	5,000
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess of Revenues over Expenditures	<u>1,000</u>	<u>1,000</u>	<u>54</u>	<u>(946)</u>
OTHER FINANCING (USES)				
Transfers Out	-	-	(48,819)	(48,819)
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(48,819)</u>	<u>(48,819)</u>
Excess (Deficiency) of Revenues over Expenditures After Transfers	<u>1,000</u>	<u>1,000</u>	<u>(48,765)</u>	<u>(49,765)</u>
Cash Balance, Beginning of Year	<u>48,765</u>	<u>48,765</u>	<u>48,765</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 49,765</u>	<u>\$ 49,765</u>	<u>\$ -</u>	<u>\$ (49,765)</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 54</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 54</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
FIRE DONATION FUND
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Miscellaneous	300	300	\$ -	\$ (300)
Interest Income	-	-	6	6
Total Revenues	300	300	6	(294)
EXPENDITURES				
Current				
Public Safety	200	200	-	200
Total Expenditures	200	200	-	200
Excess of Revenues over Expenditures	100	100	6	(94)
OTHER FINANCING (USES)				
Transfers Out	-	-	(5,639)	(5,639)
Total Other Financing (Uses)	-	-	(5,639)	(5,639)
Excess (Deficiency) of Revenues over Expenditures After Transfers	100	100	(5,633)	(5,733)
Cash Balance, Beginning of Year	5,633	5,633	5,633	-
Cash Balance, End of Year	\$ 5,733	\$ 5,733	\$ -	\$ (5,733)
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 6	
Excess of Revenues over Expenditures - GAAP Basis			\$ 6	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
MUNICIPAL STREETS FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Infrastructure Gross Receipts	\$ 25,000	\$ 25,000	\$ 15,448	\$ (9,552)
Gasoline	18,000	18,000	20,730	2,730
Intergovernmental				
State	-	-	58,112	58,112
Interest Income	-	-	129	129
Miscellaneous	180	180	6,711	6,531
Total Revenues	<u>43,180</u>	<u>43,180</u>	<u>101,130</u>	<u>57,950</u>
EXPENDITURES				
Current				
Streets	45,000	45,000	2,643	42,357
Capital Outlay	-	-	139,826	(139,826)
Total Expenditures	<u>45,000</u>	<u>45,000</u>	<u>142,469</u>	<u>(97,469)</u>
(Deficiency) of Revenues over Expenditures	(1,820)	(1,820)	(41,339)	(39,519)
OTHER FINANCING SOURCES				
Transfers In	-	-	1,724	1,724
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>1,724</u>	<u>1,724</u>
(Deficiency) of Revenues over Expenditures After Transfers	(1,820)	(1,820)	(39,615)	(37,795)
Cash Balance, Beginning of Year	<u>108,686</u>	<u>108,686</u>	<u>108,686</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 105,046</u>	<u>\$ 105,046</u>	<u>\$ 31,180</u>	<u>\$ (73,866)</u>
Reconciliation to GAAP Basis				
(Deficiency) of Revenues over Expenditures - Budget Basis			\$ (41,339)	
Changes in:				
Infrastructure Gross Receipts Tax Receivable			<u>(1,563)</u>	
(Deficiency) of Revenues over Expenditures - GAAP Basis			<u>\$ (42,902)</u>	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
LODGER'S TAX FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Lodger's	\$ 5,500	\$ 5,500	\$ 4,310	\$ (1,190)
Interest Income	120	120	6	(114)
Total Revenues	5,620	5,620	4,316	(1,304)
EXPENDITURES				
Current				
Culture and Recreation	8,000	8,000	5,700	2,300
Total Expenditures	8,000	8,000	5,700	2,300
(Deficiency) of Revenues over Expenditures	(2,380)	(2,380)	(1,384)	996
Cash Balance, Beginning of Year	4,436	4,436	4,436	-
Cash Balance, End of Year	\$ 2,056	\$ 2,056	\$ 3,052	\$ 996
Reconciliation to GAAP Basis				
(Deficiency) of Revenues over Expenditures - Budget Basis			\$ (1,384)	
(Deficiency) of Revenues over Expenditures - GAAP Basis			\$ (1,384)	

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
JUVENILE RECREATION FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Miscellaneous	\$ 14	\$ 14	\$ -	\$ (14)
Total Revenues	14	14	-	(14)
EXPENDITURES				
Current				
Public Safety	1	1	-	1
Total Expenditures	1	1	-	1
Excess of Revenues over Expenditures	13	13	-	(13)
OTHER FINANCING (USES)				
Transfers Out	-	-	(3,899)	(3,899)
Total Other Financing (Uses)	-	-	(3,899)	(3,899)
Excess (Deficiency) of Revenues over Expenditures After Transfers	13	13	(3,899)	(3,912)
Cash Balance, Beginning of Year	3,899	3,899	3,899	-
Cash Balance, End of Year	\$ 3,912	\$ 3,912	\$ -	\$ (3,912)
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ -	
Excess of Revenues over Expenditures - GAAP Basis			\$ -	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
LAW ENFORCEMENT PROTECTION FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
State	\$ 21,800	\$ 21,800	\$ 21,800	\$ -
Interest Income	100	100	49	(51)
Total Revenues	<u>21,900</u>	<u>21,900</u>	<u>21,849</u>	<u>(51)</u>
EXPENDITURES				
Current				
Public Safety	8,072	8,072	8,635	(563)
Debt Service				
Principal	12,688	12,688	12,688	-
Interest	1,192	1,192	1,192	-
Total Expenditures	<u>21,952</u>	<u>21,952</u>	<u>22,515</u>	<u>(563)</u>
OTHER FINANCING SOURCES				
Transfers In	-	-	656	656
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>656</u>	<u>656</u>
Excess (Deficiency) of Revenues over Expenditures After Transfers	(52)	(52)	(10)	1,168
Cash Balance, Beginning of Year	<u>52</u>	<u>52</u>	<u>52</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 1,168</u>
Reconciliation to GAAP Basis				
Deficiency of Revenues over Expenditures - Budget Basis			<u>\$ (10)</u>	
Deficiency of Revenues over Expenditures - GAAP Basis			<u>\$ (10)</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
SMOKEY BEAR DONATION FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Miscellaneous	\$ 407	\$ 407	\$ 1,305	\$ 898
Interest Income	-	-	3	3
Total Revenues	<u>407</u>	<u>407</u>	<u>1,308</u>	<u>901</u>
EXPENDITURES				
Current				
Culture and Recreation	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Deficiency of Revenues over Expenditures	(1,593)	(1,593)	1,308	2,901
OTHER FINANCING (USES)				
Transfers Out	<u>-</u>	<u>-</u>	<u>(4,139)</u>	<u>(4,139)</u>
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(4,139)</u>	<u>(4,139)</u>
(Deficiency) of Revenues over Expenditures After Transfers	(1,593)	(1,593)	(2,831)	(1,238)
Cash Balance, Beginning of Year	<u>2,831</u>	<u>2,831</u>	<u>2,831</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 1,238</u>	<u>\$ 1,238</u>	<u>\$ -</u>	<u>\$ (1,238)</u>
Reconciliation to GAAP Basis				
(Deficiency) of Revenues over Expenditures - Budget Basis			<u>\$ 1,308</u>	
(Deficiency) of Revenues over Expenditures - GAAP Basis			<u>\$ 1,308</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
ENVIRONMENTAL GROSS RECEIPTS TAX FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Environmental Gross Receipts	\$ 18,002	\$ 18,002	\$ 4,415	\$ (13,587)
Interest Income	<u>3</u>	<u>3</u>	<u>-</u>	<u>(3)</u>
Total Revenues	18,005	18,005	4,415	(13,590)
EXPENDITURES				
Current				
Public Works	<u>18,000</u>	<u>18,000</u>	<u>4,415</u>	<u>13,585</u>
Total Expenditures	<u>18,000</u>	<u>18,000</u>	<u>4,415</u>	<u>13,585</u>
Excess of Revenues over Expenditures	5	5	-	(5)
OTHER FINANCING (USES)				
Transfers Out	<u>-</u>	<u>-</u>	<u>(224)</u>	<u>(224)</u>
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(224)</u>	<u>(224)</u>
Excess (Deficiency) of Revenues over Expenditures After Transfers	5	5	(224)	(229)
Cash Balance, Beginning of Year	<u>2,831</u>	<u>2,831</u>	<u>2,831</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 2,836</u>	<u>\$ 2,836</u>	<u>\$ 2,607</u>	<u>\$ (229)</u>
Reconciliation to GAAP Basis				
(Deficiency) of Revenues over Expenditures - Budget Basis			\$ -	
Change in:				
EGRT Taxes Receivable			<u>(2,485)</u>	
(Deficiency) of Revenues over Expenditures - GAAP Basis			<u>\$ (2,485)</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - BUDGET TO ACTUAL (NON-GAAP BASIS)
SMOKEY BEAR ENTERPRISE FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Sales	\$ 73,000	\$ 73,000	\$ 64,505	\$ (8,495)
Other Revenue	-	-	807	807
Total Operating Revenues	<u>73,000</u>	<u>73,000</u>	<u>65,312</u>	<u>(7,688)</u>
OPERATING EXPENSES				
Current				
Operations	<u>71,000</u>	<u>71,000</u>	<u>67,369</u>	<u>3,631</u>
Total Operating Expenses	<u>71,000</u>	<u>71,000</u>	<u>67,369</u>	<u>3,631</u>
Operating Income/(Loss)	<u>2,000</u>	<u>2,000</u>	<u>(2,057)</u>	<u>(4,057)</u>
NONOPERATING REVENUE (EXPENSES)				
Transfers In	-	-	4,139	4,139
Interest Income	<u>300</u>	<u>300</u>	<u>106</u>	<u>(194)</u>
Total Nonoperating Revenue (Expenses)	<u>300</u>	<u>300</u>	<u>4,245</u>	<u>3,945</u>
Change in Net Position	2,300	2,300	2,188	(112)
Cash - Beginning of Year	<u>63,798</u>	<u>63,798</u>	<u>63,798</u>	<u>-</u>
Cash - End of Year	<u>\$ 66,098</u>	<u>\$ 66,098</u>	<u>\$ 65,986</u>	<u>\$ (112)</u>
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 2,188	
Depreciation			(246)	
Change in:				
Sales Tax Payable			<u>(829)</u>	
Change in Net Position - GAAP Basis			<u>\$ 1,113</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - BUDGET TO ACTUAL (NON-GAAP BASIS)
SOLID WASTE FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services				
Sanitation	\$ 185,100	\$ 185,100	\$ 204,766	\$ 19,666
Late Fees	-	-	6,812	6,812
Other Revenue	-	-	1,706	1,706
Total Operating Revenues	<u>185,100</u>	<u>185,100</u>	<u>213,284</u>	<u>28,184</u>
OPERATING EXPENSES				
Current				
Sanitation	<u>185,000</u>	<u>185,000</u>	<u>210,674</u>	<u>(25,674)</u>
Total Operating Expenses	<u>185,000</u>	<u>185,000</u>	<u>210,674</u>	<u>(25,674)</u>
Operating Income	100	100	2,610	2,510
NONOPERATING REVENUE (EXPENSES)				
Environmental Gross Receipts	-	-	796	796
Transfers In	-	-	224	224
Interest Income	-	-	55	55
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>-</u>	<u>1,075</u>	<u>1,075</u>
Change in Net Position	100	100	3,685	3,585
Cash - Beginning of Year	<u>6,797</u>	<u>6,797</u>	<u>6,797</u>	<u>-</u>
Cash - End of Year	<u>\$ 6,897</u>	<u>\$ 6,897</u>	<u>\$ 10,482</u>	<u>\$ 3,585</u>
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			<u>\$ 3,685</u>	
Change in Net Position - GAAP Basis			<u>\$ 3,685</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - BUDGET TO ACTUAL (NON-GAAP BASIS)
WATER FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services				
Water	\$ 406,650	\$ 406,650	\$ 497,325	\$ 90,675
Late Fees	-	-	12,862	12,862
Interest Income	4,000	4,000	1,276	(2,724)
State Grant Proceeds	255,000	255,000	25,480	(229,520)
Water Rights Lease	100,000	100,000	99,378	(622)
Other Revenue	-	-	8,795	8,795
Total Operating Revenues	<u>765,650</u>	<u>765,650</u>	<u>645,116</u>	<u>(120,534)</u>
OPERATING EXPENSES				
Current				
Operations	410,857	410,857	410,145	712
Debt Service				
Principal	26,643	26,643	26,643	-
Interest	50,000	50,000	46,791	3,209
Total Operating Expenses	<u>487,500</u>	<u>487,500</u>	<u>483,579</u>	<u>3,921</u>
Operating Income	278,150	278,150	161,537	(116,613)
NONOPERATING (EXPENSES)				
Transfers Out	-	-	(222,090)	(222,090)
Total Nonoperating (Expenses)	<u>-</u>	<u>-</u>	<u>(222,090)</u>	<u>(222,090)</u>
Change in Net Position	278,150	278,150	(60,553)	(459,237)
Cash - Beginning of Year	<u>1,187,543</u>	<u>1,187,543</u>	<u>1,187,543</u>	<u>-</u>
Cash - End of Year	<u>\$ 1,465,693</u>	<u>\$ 1,465,693</u>	<u>\$ 1,126,990</u>	<u>\$ (459,237)</u>
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ (60,553)	
Depreciation			(188,700)	
Principal Payments			26,643	
Interest Income Reinvested in LGIP			4	
Changes In:				
Accounts Receivable			-	
NMFA Project Funds Receivable			(25,480)	
Customer Deposits			(2,850)	
Accrued Sales Tax			5,879	
Accrued Compensated Absences			(4,223)	
Change in Net Position - GAAP Basis			<u>\$ (249,280)</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - BUDGET TO ACTUAL (NON-GAAP BASIS)
WASTEWATER FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services				
Sewer	\$ 157,050	\$ 157,050	\$ 68,022	\$ (89,028)
Total Operating Revenues	157,050	157,050	68,022	(89,028)
OPERATING EXPENSES				
Current				
Operations	162,500	162,500	47,582	114,918
Total Operating Expenses	162,500	162,500	47,582	114,918
Operating Income (Loss)	(5,450)	(5,450)	20,440	25,890
NONOPERATING REVENUE				
Transfers In	-	-	222,090	222,090
Total Nonoperating Revenue	-	-	222,090	222,090
Change in Net Position	(5,450)	(5,450)	242,530	18,144
Cash - Beginning of Year	-	-	-	-
Cash - End of Year	<u>\$ (5,450)</u>	<u>\$ (5,450)</u>	<u>\$ 242,530</u>	<u>\$ 18,144</u>
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 242,530	
Depreciation			<u>(44,784)</u>	
Change in Net Position - GAAP Basis			<u>\$ 197,746</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
COURT ESCROW AGENCY FUND
YEAR ENDED JUNE 30, 2017**

	Balance 06/30/16	Additions	Deductions	Balance 06/30/17
ASSETS				
ASSETS				
Cash and Cash Equivalents	<u>\$ 830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 830</u>
Total Assets	<u><u>\$ 830</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 830</u></u>
 LIABILITIES				
LIABILITIES				
Due to Other Agencies	<u>\$ 830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 830</u>
Total Liabilities	<u><u>\$ 830</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 830</u></u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
COURT AGENCY FUND
YEAR ENDED JUNE 30, 2017**

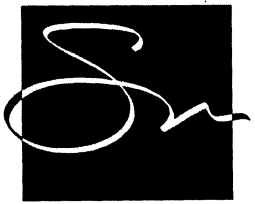
	Balance 06/30/16	Additions	Deductions	Balance 06/30/17
ASSETS				
ASSETS				
Cash and Cash Equivalents	<u>\$ 561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561</u>
Total Assets	<u><u>\$ 561</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 561</u></u>
 LIABILITIES				
LIABILITIES				
Due to Other Agencies	<u>\$ 561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561</u>
Total Liabilities	<u><u>\$ 561</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 561</u></u>

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
MOTOR VEHICLE AGENCY FUND
YEAR ENDED JUNE 30, 2017**

	Balance 06/30/16	Additions	Deductions	Balance 06/30/17
ASSETS				
ASSETS				
Cash and Cash Equivalents	<u>\$ 508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508</u>
Total Assets	<u><u>\$ 508</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 508</u></u>
 LIABILITIES				
LIABILITIES				
Due to Other Agencies	<u>\$ 508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508</u>
Total Liabilities	<u><u>\$ 508</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 508</u></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*

Wayne Johnson, New Mexico State Auditor, and
Honorable Mayor and Councilors of
Village of Capitan
Capitan, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities,, each major fund, the aggregate remaining fund information, and 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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated December 5, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

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

Compliance and Other Matters

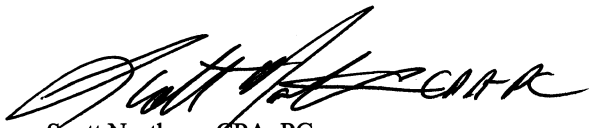
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2017-001 (2015-002) and 2017-002 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
December 5, 2017

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2017-001 (2015-002) - Legal Compliance with Budget – Compliance (Repeated and Revised)

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

- Solid Waste Fund - \$25,226
- Municipal Streets Fund - \$97,469
- Law Enforcement Protection Fund - \$563

PROGRESS OF RESOLVING PRIOR YEAR FINDING – The finding was revised and repeated. The Village had some progress toward resolving the finding by reducing the number of funds that exceeded authorized budget levels but has not fully resolved the finding.

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 failed to 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 expenditure adjustments are warranted, approved by Council and forwarded to DFA for approval.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - Converting from individual cash accounts to a pooled cash account will allow the Village to more accurately report revenues and expenses, and reduce the complexity of reviewing each fund’s budget to actual comparison. The Finance Director is responsible for the continued pooled cash conversion and budget preparation and submission. This finding should be resolved by the final budget report deadline in July 2018.

2017-002 - DFA Report Does Not Reconcile to the Village’s Cash - Compliance

CONDITION - For the year ended June 30, 2017, the Village’s unrestricted cash did not reconcile to the fourth quarter report submitted to the Department of Finance and Administration. The Village’s cash differed from the DFA report by approximately \$193,576. The following funds were shown to have variances by the following amounts (funds with zero balances or balances that agreed to the DFA report are not presented below):

	Financial Statements	DFA Report	Over (Under) Variance
Governmental Funds:			
General Fund	\$ 1,538,720	\$ 1,391,776	\$ 146,944
Fire Protection Fund	195,626	193,978	1,648
Cemetery Fund	46,893	-	46,893
Corrections Fund	19,826	19,842	(16)
Municipal Streets Fund	<u>40,581</u>	<u>42,474</u>	<u>(1,893)</u>
Total Governmental Funds	<u>\$ 1,841,646</u>	<u>\$ 1,648,070</u>	<u>\$ 193,576</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2017-002 - DFA Report Does Not Reconcile to the Village's Cash – Compliance (Cont.)

	Financial Statements	DFA Report	Over (Under) Variance
Enterprise Funds:			
Water Fund	678,674	651,856	26,818
Solid Waste	10,482	37,166	(26,684)
Cemetery	-	47,297	(47,297)
Smokey Bear Enterprises	<u>65,896</u>	<u>51,613</u>	<u>14,283</u>
Total Enterprise Funds	<u>755,052</u>	<u>787,932</u>	<u>(32,880)</u>
Trust and Agency Funds:			
Trust and Agency (Including Customer Deposits)	<u>39,529</u>	<u>43,676</u>	<u>(4,147)</u>
Cash Balance	<u>\$ 2,636,227</u>	<u>\$ 2,479,678</u>	<u>\$ 156,549</u>

CRITERIA - Per Section 6-6-3 NMSA 1978, every local public body shall:

- Keep all the books, records and accounts in their respective offices in the form prescribed by the local government division;
- Make all reports as may be required by the local government division; and
- Conform to the rules and regulations adopted by the local government division.

EFFECT - The information reported to DFA is inaccurate and could possibly lead to inappropriate funding of the Village.

CAUSE – Ending cash balance on the DFA report did not reconcile to the June 2017 bank reconciliation. The conversion from having cash accounts for each individual fund to a pooled cash system may have contributed to the variance. Changes made to the general ledger after the DFA report is prepared may also have been a factor. The Cemetery Fund is reported as a Governmental Activities Fund in the audit but the DFA report classifies the fund as an Enterprise Fund.

RECOMMENDATION - We recommend the Village review and reconcile the DFA report with the financials to ensure that cash balances reported to DFA tie to the trial balance before submission to DFA.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The 2018 fiscal year will be a complete year with the pooled cash system and the Village will be better able to identify and reconcile cash balances by each fund. The Finance Director is responsible for the DFA reports and should have the finding resolved by the fourth quarter DFA report deadline of July 31, 2018.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2017**

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
EXIT CONFERENCE
JUNE 30, 2017**

The contents of this report were discussed with the Village of Capitan representatives on December 5, 2017. The following individuals were present for the conference:

Village of Capitan

Diane Riska, Mayor Pro-Tem
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 supplementary 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.