

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

INTRODUCTORY SECTION

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VILLAGE OF CAPITAN
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JUNE 30, 2018**

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VILLAGE OF CAPITAN
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**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
OFFICIAL ROSTER
JUNE 30, 2018**

VILLAGE COUNCIL

Name	Title
Dennis Haskell	Mayor
Dana Johnson	Trustee
Kimble Kearns	Trustee
Ron Lowrance	Trustee
Jill Schmitz	Trustee

VILLAGE OFFICIALS

Name	Title
Laura McInnes	Village Clerk
Kristi Wilson	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, 2018, 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, 2018, 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, 2018, 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 November 19, 2018 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
November 19, 2018

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,805,871	\$ 1,125,527	\$ 2,931,398
NMFA Cash and Equivalents	160	-	160
LGIP Investment	8,654	2,270	10,924
Accounts Receivable, Net	-	70,474	70,474
Inventory	-	465	465
Taxes Receivable			
Gross Receipts	76,973	-	76,973
Infrastructure Gross Receipts	3,851	-	3,851
Franchise	7,777	-	7,777
Gasoline	1,567	-	1,567
Property	14,179	-	14,179
Other	259	-	259
	<u>1,919,291</u>	<u>1,198,736</u>	<u>3,118,027</u>
Total Current Assets			
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents			
Customer Deposits	-	45,290	45,290
Debt Service Reserve CD	514,173	410,686	924,859
Capital Assets, Net	<u>5,429,357</u>	<u>7,723,076</u>	<u>13,152,433</u>
Total Noncurrent Assets	<u>5,943,530</u>	<u>8,179,052</u>	<u>14,122,582</u>
Total Assets	<u>7,862,821</u>	<u>9,377,788</u>	<u>17,240,609</u>
DEFERRED OUTFLOWS OF RESOURCES			
NMFA Grant Funds Available	-	23,573	23,573
Net Pension Liability Deferred Outflows	81,100	-	81,100
Post Measurement Date Employer Contributions	<u>15,099</u>	<u>-</u>	<u>15,099</u>
Total Deferred Outflows of Resources	<u>96,199</u>	<u>23,573</u>	<u>119,772</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 7,959,020</u></u>	<u><u>\$ 9,401,361</u></u>	<u><u>\$ 17,360,381</u></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	\$ 210,699	\$ 19,072	\$ 229,771
Payroll Liabilities Payable	1,062	-	1,062
Accrued Sales Tax	-	3,171	3,171
Accrued Interest	-	16,960	16,960
Accrued Vacation, Current Portion	8,235	4,653	12,888
Current Portion of Long-Term Debt	13,476	27,513	40,989
Total Current Liabilities	<u>233,472</u>	<u>71,369</u>	<u>304,841</u>
NONCURRENT LIABILITIES			
Customer Deposits	-	45,285	45,285
Accrued Vacation, Net of Current Portion	14,797	4,829	19,626
Long-Term Debt, Net of Current Portion	13,661	741,383	755,044
Net Pension Liability	212,781	-	212,781
Total Noncurrent Liabilities	<u>241,239</u>	<u>791,497</u>	<u>1,032,736</u>
Total Liabilities	<u>474,711</u>	<u>862,866</u>	<u>1,337,577</u>
DEFERRED INFLOWS OF RESOURCES			
Net Pension Liability Deferred Inflows	44,704	-	44,704
NMFA Grant Funds Available	-	23,573	23,573
Total Deferred Inflows of Resources	<u>44,704</u>	<u>23,573</u>	<u>68,277</u>
NET POSITION			
Net Investment in Capital Assets	5,402,220	6,954,180	12,356,400
Restricted for:			
Special Revenue Funds	33,799	-	33,799
Debt Service	514,173	410,686	924,859
Unrestricted	1,489,413	1,150,056	2,639,469
Total Net Position	<u>7,439,605</u>	<u>8,514,922</u>	<u>15,954,527</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,959,020</u>	<u>\$ 9,401,361</u>	<u>\$ 17,360,381</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, 2018**

	<u>Program Revenues</u>			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<i>Primary Government</i>				
Governmental Activities:				
General Administration	\$ 446,837	\$ 4,809	\$ 131,704	\$ 135,000
Streets	298,323	-	-	471,910
Public Safety	449,150	-	185,488	-
Culture and Recreation	23,781	-	5,512	-
Judicial	30,573	3,029	-	-
Interest and Fiscal Charges	553	-	-	-
Depreciation	389,993	-	-	-
<i>Total Governmental Activities</i>	<u>1,639,210</u>	<u>7,838</u>	<u>322,704</u>	<u>606,910</u>
Business-Type Activities:				
Smokey Bear Enterprise Fund	81,493	58,785	-	-
Solid Waste Fund	196,422	216,178	-	-
Water Fund	705,605	500,373	-	43,927
Sewer Fund	51,868	62,952	-	-
Interest and Fiscal Charges	34,144	-	-	-
<i>Total Business-Type Activities</i>	<u>1,069,532</u>	<u>838,288</u>	<u>-</u>	<u>43,927</u>
Total - Primary Government	<u><u>\$ 2,708,742</u></u>	<u><u>\$ 846,126</u></u>	<u><u>\$ 322,704</u></u>	<u><u>\$ 650,837</u></u>

General Revenues

Taxes:

- Gross Receipts
- Infrastructure Gross Receipts
- Franchise
- Property
- Gasoline
- Lodger's
- Motor Vehicle

Lease Revenue

Miscellaneous

Interest

Total General Revenues

Change in Net Position

Beginning Net Position

Ending Net Position

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (175,324)	\$ -	\$ (175,324)
173,587	-	173,587
(263,662)	-	(263,662)
(18,269)	-	(18,269)
(27,544)	-	(27,544)
(553)	-	(553)
<u>(389,993)</u>	<u>-</u>	<u>(389,993)</u>
<u>(701,758)</u>	<u>-</u>	<u>(701,758)</u>
-	(22,708)	(22,708)
-	19,756	19,756
-	(161,305)	(161,305)
-	11,084	11,084
-	(34,144)	(34,144)
<u>-</u>	<u>(187,317)</u>	<u>(187,317)</u>
<u>(701,758)</u>	<u>(187,317)</u>	<u>(889,075)</u>
444,135	10,561	454,696
21,564	-	21,564
42,862	-	42,862
79,029	-	79,029
24,522	-	24,522
3,734	-	3,734
2,377	-	2,377
-	99,378	99,378
25,901	-	25,901
5,437	2,087	7,524
<u>649,561</u>	<u>112,026</u>	<u>761,587</u>
(52,197)	(75,291)	(127,488)
<u>7,491,802</u>	<u>8,590,213</u>	<u>16,082,015</u>
<u>\$ 7,439,605</u>	<u>\$ 8,514,922</u>	<u>\$ 15,954,527</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, 2018**

	General Fund	Fire Protection Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 1,260,384	\$ 305,211	\$ 240,276	\$ 1,805,871
Debt Service Reserve CD	514,173	-	-	514,173
NMFA Cash and Equivalents	-	-	160	160
LGIP Investment	8,654	-	-	8,654
Taxes Receivable				
Gross Receipts	76,973	-	-	76,973
Infrastructure Gross Receipts	-	-	3,851	3,851
Franchise	7,777	-	-	7,777
Gasoline	-	-	1,567	1,567
Property, Net	14,179	-	-	14,179
MVD	259	-	-	259
Total Assets	<u>\$ 1,882,399</u>	<u>\$ 305,211</u>	<u>\$ 245,854</u>	<u>\$ 2,433,464</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND				
LIABILITIES				
Accounts Payable	\$ 210,699	\$ -	\$ -	\$ 210,699
Payroll Liabilities Payable	1,062	-	-	1,062
Total Liabilities	<u>211,761</u>	<u>-</u>	<u>-</u>	<u>211,761</u>
 DEFERRED INFLOW OF RESOURCES				
Property Taxes	14,179	-	-	14,179
Total Deferred Inflows of Resources	<u>14,179</u>	<u>-</u>	<u>-</u>	<u>14,179</u>
 FUND BALANCES				
Restricted	514,173	305,211	212,055	1,031,439
Assigned	-	-	33,799	33,799
Unassigned	1,142,286	-	-	1,142,286
Total Fund Balances	<u>1,656,459</u>	<u>305,211</u>	<u>245,854</u>	<u>2,207,524</u>
Total Liabilities Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,882,399</u>	<u>\$ 305,211</u>	<u>\$ 245,854</u>	<u>\$ 2,433,464</u>

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
RECONCILIATION OF GOVERNMENTAL FUNDS
FUND BALANCE TO GOVERNMENT ACTIVITIES
NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds	\$	2,207,524
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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.		5,429,357
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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.		14,179
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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	(23,032)	
Notes and Bonds Payable	<u>(27,137)</u>	(50,169)

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	15,099	
NPL Deferred Outflows	81,100	
NPL Deferred Inflows	(44,704)	
Net Pension Liability	<u>(212,781)</u>	<u>(161,286)</u>

Net Position of Governmental Activities	\$	<u>7,439,605</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, 2018**

	General Fund	Fire Protection Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes				
Gross Receipts	\$ 444,135	\$ -	\$ -	\$ 444,135
Infrastructure Gross Receipts	-	-	21,564	21,564
Franchise	42,862	-	-	42,862
Property	79,029	-	-	79,029
Gasoline	-	-	24,522	24,522
Lodger's	-	-	3,734	3,734
Motor Vehicle	2,377	-	-	2,377
Intergovernmental				
State				
Small Cities Assistance	131,704	-	-	131,704
Operating Grants	10,676	158,524	21,800	191,000
Capital Grants	135,000	-	471,910	606,910
Charges for Service	194	-	-	194
Miscellaneous	24,859	-	1,042	25,901
Licenses, Fees and Permits	4,615	-	-	4,615
Fines and Forfeits	1,245	-	1,784	3,029
Interest	5,319	-	118	5,437
	<u>882,015</u>	<u>158,524</u>	<u>546,474</u>	<u>1,587,013</u>
Total Revenues				
EXPENDITURES				
Current				
General Administration	445,330	-	-	445,330
Streets	253,047	-	45,276	298,323
Public Safety	361,262	48,939	8,414	418,615
Culture and Recreation	5,512	-	18,269	23,781
Judicial	30,573	-	-	30,573
Debt Service				
Principal	-	-	13,328	13,328
Interest	-	-	553	553
Capital Outlay	<u>135,000</u>	<u>-</u>	<u>352,745</u>	<u>487,745</u>
	<u>1,230,724</u>	<u>48,939</u>	<u>438,585</u>	<u>1,718,248</u>
Total Expenditures				
Net Change in Fund Balance	(348,709)	109,585	107,889	(131,235)
Fund Balance, Beginning of Year	<u>2,005,168</u>	<u>195,626</u>	<u>137,965</u>	<u>2,338,759</u>
Fund Balance, End of Year	<u>\$ 1,656,459</u>	<u>\$ 305,211</u>	<u>\$ 245,854</u>	<u>\$ 2,207,524</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, 2018**

Net Changes in Fund Balance - Governmental Funds	\$	(131,235)
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.		487,745
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.		(389,993)
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	(1,507)	
Long-Term Obligations Principal Payments	13,328	11,821
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.		(30,535)
Change in Net Position of Governmental Activities	\$	<u>(52,197)</u>

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Gross Receipts	\$ 507,680	\$ 507,680	\$ 436,172	\$ (71,508)
Franchise	38,144	38,144	37,151	(993)
Property	84,677	84,677	79,029	(5,648)
Motor Vehicle	2,681	2,681	2,377	(304)
Intergovernmental				
State				
Small Cities Assistance	179,681	179,681	131,704	(47,977)
Operating Grants	-	-	10,676	10,676
Capital Grants	-	-	135,000	135,000
Charges for Service	2,501	2,501	194	(2,307)
Miscellaneous	100,229	100,229	24,859	(75,370)
Licenses, Fees and Permits	4,524	4,524	4,615	91
Fines and Forfeits	4,965	4,965	1,245	(3,720)
Interest	2,735	2,735	5,560	2,825
Total Revenues	927,817	927,817	868,582	(59,235)
EXPENDITURES				
Current				
General Administration	336,642	328,642	361,524	(32,882)
Streets	245,445	253,445	253,047	398
Public Safety	287,920	287,920	361,262	(73,342)
Culture and Recreation	-	-	5,512	(5,512)
Judicial	32,049	32,049	30,573	1,476
Capital Outlay	-	-	135,000	(135,000)
Total Expenditures	902,056	902,056	1,146,918	(244,862)
Net Change in Fund Balance	25,761	25,761	(278,336)	(304,097)
Cash Balance, Beginning of Year	2,052,893	2,052,893	2,052,893	-
Cash Balance, End of Year	\$ 2,078,654	\$ 2,078,654	\$ 1,774,557	\$ (304,097)
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ (278,336)	
LGIP Investment Interest Withdrawal			(241)	
Change in:				
Taxes Receivable				
Gross Receipts			7,963	
Franchise			5,711	
Accounts Payable			(36,074)	
Payroll Liabilities Payable			(18,279)	
Insurance Proceeds Payable			(29,453)	
Net Change in Fund Balance - GAAP Basis			\$ (348,709)	

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL (NON-GAAP BASIS)
FIRE PROTECTION FUND
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
State				
Operating Grants	\$ 117,168	\$ 117,168	\$ 158,524	\$ 41,356
Total Revenues	117,168	117,168	158,524	41,356
EXPENDITURES				
Current				
Public Safety	311,146	311,146	48,939	262,207
Total Expenditures	311,146	311,146	48,939	262,207
Net Change in Fund Balance	(193,978)	(193,978)	109,585	303,563
Cash Balance, Beginning of Year	195,626	195,626	195,626	-
Cash Balance, End of Year	<u>\$ 1,648</u>	<u>\$ 1,648</u>	<u>\$ 305,211</u>	<u>\$ 303,563</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 109,585</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 109,585</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	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	\$ 52,780	\$ 20,193	\$ 767,785	\$ 284,769	\$ 1,125,527
LGIP Investment	-	-	2,270	-	2,270
Accounts Receivable, Net	-	16,584	53,890	-	70,474
Inventory	465	-	-	-	465
Total Current Assets	<u>53,245</u>	<u>36,777</u>	<u>823,945</u>	<u>284,769</u>	<u>1,198,736</u>
Noncurrent Assets					
Restricted Cash and Cash Equivalents					
Customer Deposits	-	-	45,290	-	45,290
Debt Service Reserve	-	-	410,686	-	410,686
Capital Assets, Net	450	-	7,156,135	566,491	7,723,076
Total Noncurrent Assets	<u>450</u>	<u>-</u>	<u>7,612,111</u>	<u>566,491</u>	<u>8,179,052</u>
Total Assets	<u>53,695</u>	<u>36,777</u>	<u>8,436,056</u>	<u>851,260</u>	<u>9,377,788</u>
Deferred Outflows of Resources					
NMFA Grant Funds Available	-	-	23,573	-	23,573
Total Deferred Outflows	<u>-</u>	<u>-</u>	<u>23,573</u>	<u>-</u>	<u>23,573</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 53,695</u>	<u>\$ 36,777</u>	<u>\$ 8,459,629</u>	<u>\$ 851,260</u>	<u>\$ 9,401,361</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ -	\$ 19,072	\$ -	\$ -	\$ 19,072
Accrued Sales Tax	126	-	3,045	-	3,171
Accrued Interest	-	-	16,960	-	16,960
Accrued Vacation, Current Portion	1,074	-	3,579	-	4,653
Current Portion of Long-Term Debt	-	-	18,504	9,009	27,513
Total Current Liabilities	<u>1,200</u>	<u>19,072</u>	<u>42,088</u>	<u>9,009</u>	<u>71,369</u>
Noncurrent Liabilities					
Customer Deposits	-	-	45,285	-	45,285
Accrued Vacation, Net of Current Portion	-	-	4,829	-	4,829
Long-Term Debt, Net of Current Portion	-	-	596,462	144,921	741,383
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>646,576</u>	<u>144,921</u>	<u>791,497</u>
Total Liabilities	<u>1,200</u>	<u>19,072</u>	<u>688,664</u>	<u>153,930</u>	<u>862,866</u>
Deferred Inflows of Resources					
NMFA Grant Funds Available	-	-	23,573	-	23,573
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>23,573</u>	<u>-</u>	<u>23,573</u>
NET POSITION					
Net Investment in Capital Assets	450	-	6,541,169	412,561	6,954,180
Restricted - Debt Service	-	-	410,686	-	410,686
Unrestricted	52,045	17,705	795,537	284,769	1,150,056
Total Fund Net Position	<u>52,495</u>	<u>17,705</u>	<u>7,747,392</u>	<u>697,330</u>	<u>8,514,922</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 53,695</u>	<u>\$ 36,777</u>	<u>\$ 8,459,629</u>	<u>\$ 851,260</u>	<u>\$ 9,401,361</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Smokey Bear Enterprise Fund	Solid Waste Fund	Water Fund	Waste Water Fund	Total Funds
OPERATING REVENUES					
Sales	\$ 58,593	\$ -	\$ -	\$ -	\$ 58,593
Charges for Services					
Water	-	-	484,674	-	484,674
Sewer	-	-	-	60,377	60,377
Sanitation	-	204,186	-	-	204,186
Late Fees	-	-	9,038	-	9,038
Other Revenue	192	11,992	6,661	2,575	21,420
	<u>58,785</u>	<u>216,178</u>	<u>500,373</u>	<u>62,952</u>	<u>838,288</u>
Total Operating Revenues	58,785	216,178	500,373	62,952	838,288
OPERATING EXPENSES					
Personnel Services and Benefits	32,335	-	251,058	-	283,393
Professional and Contracted Services	1,326	181,599	58,886	-	241,811
Supplies and Materials	39,985	-	58,051	-	98,036
Occupancy, Repairs and Maintenance	1,135	3,759	81,691	4,788	91,373
Other Expenses	6,466	11,064	67,218	2,298	87,046
Depreciation	246	-	188,701	44,782	233,729
	<u>81,493</u>	<u>196,422</u>	<u>705,605</u>	<u>51,868</u>	<u>1,035,388</u>
Total Operating Expenses	81,493	196,422	705,605	51,868	1,035,388
Operating Income/(Loss)	(22,708)	19,756	(205,232)	11,084	(197,100)
NONOPERATING REVENUE (EXPENSES)					
State Grant Proceeds	-	-	43,927	-	43,927
Environmental Gross Receipts	-	10,561	-	-	10,561
Water Rights Lease	-	-	99,378	-	99,378
Interest Income	-	-	2,087	-	2,087
Interest Expense	-	-	(29,264)	(4,880)	(34,144)
	<u>-</u>	<u>10,561</u>	<u>116,128</u>	<u>(4,880)</u>	<u>121,809</u>
Total Nonoperating Revenue (Expenses)	-	10,561	116,128	(4,880)	121,809
Change in Net Position	(22,708)	30,317	(89,104)	6,204	(75,291)
Beginning Net Position (Deficit)	75,203	(12,612)	7,836,496	691,126	8,590,213
Net Position, End of Year	\$ 52,495	\$ 17,705	\$ 7,747,392	\$ 697,330	\$ 8,514,922

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Smokey Bear Enterprise Fund	Solid Waste Fund	Water Fund	Waste Water Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 57,876	\$ 216,557	\$ 505,161	\$ 62,952	\$ 842,546
Payments to and on Behalf of Employees	(32,721)	-	(250,452)	-	(283,173)
Payments to Suppliers and Contractors	(38,361)	(217,407)	(265,846)	(7,086)	(528,700)
Net Cash Provided (Used) by Operating Activities	<u>(13,206)</u>	<u>(850)</u>	<u>(11,137)</u>	<u>55,866</u>	<u>30,673</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Interest Paid	-	-	(26,682)	(4,880)	(31,562)
Principal Payments on Debt Obligations	-	-	(18,302)	(8,747)	(27,049)
Net Cash (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(44,984)</u>	<u>(13,627)</u>	<u>(58,611)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Environmental Gross Receipts	-	10,561	-	-	10,561
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>10,561</u>	<u>-</u>	<u>-</u>	<u>10,561</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	-	-	2,087	-	2,087
Water Rights Lease Income	-	-	99,378	-	99,378
Capital Grant Proceeds	-	-	51,427	-	51,427
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>152,892</u>	<u>-</u>	<u>152,892</u>
NET CHANGE IN CASH	(13,206)	9,711	96,771	42,239	135,515
CASH AT BEGINNING OF YEAR	65,986	10,482	1,126,990	242,530	1,445,988
CASH AT END OF YEAR	<u>\$ 52,780</u>	<u>\$ 20,193</u>	<u>\$ 1,223,761</u>	<u>\$ 284,769</u>	<u>\$ 1,581,503</u>
Reconciliation of Operating Income (Loss) to					
Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (22,708)	\$ 19,756	\$ (205,232)	\$ 11,084	\$ (197,100)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities:					
Depreciation	246	-	188,701	44,782	233,729
Changes In:					
Accounts Receivable	-	379	(1,198)	-	(819)
Inventory	10,551	-	-	-	10,551
Accounts Payable	-	(20,985)	-	-	(20,985)
Customer Deposits	-	-	7,660	-	7,660
Accrued Sales Tax	(909)	-	(1,674)	-	(2,583)
Accrued Compensated Absences	(386)	-	606	-	220
Net Cash Provided (Used) by Operating Activities	<u>\$ (13,206)</u>	<u>\$ (850)</u>	<u>\$ (11,137)</u>	<u>\$ 55,866</u>	<u>\$ 30,673</u>
Reconciliation to the Balance Sheet					
Unrestricted	\$ 52,780	\$ 20,193	\$ 767,785	\$ 284,769	\$ 1,125,527
Restricted					
Debt Service Reserve CD	-	-	410,686	-	410,686
Customer Deposits	-	-	45,290	-	45,290
CASH AT END OF YEAR	<u>\$ 52,780</u>	<u>\$ 20,193</u>	<u>\$ 1,223,761</u>	<u>\$ 284,769</u>	<u>\$ 1,581,503</u>
Supplemental Cash Flow Disclosures					
Interest Paid	\$ -	\$ -	\$ 26,682	\$ 4,880	\$ 31,562

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018**

	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>

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

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018.

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, 2018**

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, 2018**

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, 2018**

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, 2018**

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 General Fund by approximately \$244,862, Cemetery Fund by approximately \$11,069, and Smokey Bear Enterprise Fund by approximately \$10,147.

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

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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

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

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

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

Property and Equipment - Capital assets which may include software, property, plant, equipment, vehicles, and infrastructure assets (e.g., building, roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Land owned by the Village is always capitalized. 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, 2018.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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

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

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

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).

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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.

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.

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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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.

GASB Statement No. 77, Tax Abatement Disclosure – The Village is not subject to any tax abatement agreements subject to being reported under the requirements of GASB 77.

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.

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, 2018	Net Items Outstanding	Book Balance June 30, 2018
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:			
Agency Funds			
Court Escrow	830	-	830
Court	561	-	561
Motor Vehicle	508	-	508
Total Non-Interest-Bearing Accounts	<u>1,899</u>	<u>-</u>	<u>1,899</u>
Total - City Bank	<u>\$ 104,081</u>	<u>\$ -</u>	<u>\$ 104,081</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

	Bank Balance June 30, 2018	Net Items Outstanding	Book Balance June 30, 2018
Washington Federal			
Interest-Bearing Checking Account:			
Operating Account	\$ 3,088,309	\$ (111,921)	\$ 2,976,388
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>\$ 3,910,986</u>	<u>\$ (111,921)</u>	<u>\$ 3,799,065</u>

<u>Reconciliation to Financial Statements</u>	Washington Federal	City Bank	Totals
Governmental Activities			
Unrestricted	\$ 1,805,871	\$ -	\$ 1,805,871
Restricted	<u>514,173</u>	<u>-</u>	<u>514,173</u>
Total Governmental Activities	<u>2,320,044</u>	<u>-</u>	<u>2,320,044</u>
Business-type Activities			
Unrestricted	1,125,227	-	1,125,227
Restricted – Debt Service	308,504	102,182	410,686
Restricted – Customer Deposits	<u>45,290</u>	<u>-</u>	<u>45,290</u>
	1,479,021	102,182	1,581,203
Water & Sewer Fund Petty Cash	<u>-</u>	<u>-</u>	<u>300</u>
Total Business-type Activities	<u>1,479,021</u>	<u>102,182</u>	<u>1,581,503</u>
Agency Funds	<u>-</u>	<u>1,899</u>	<u>1,899</u>
Total Cash and Cash Equivalents	<u>\$ 3,799,065</u>	<u>\$ 104,081</u>	<u>\$ 3,903,446</u>

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, 2018.

Restricted Cash - The Village has restricted \$45,290 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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

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	\$ 3,910,986	\$ 104,081	\$ 4,015,067
Less FDIC Coverage	<u>(250,000)</u>	<u>(104,081)</u>	<u>(354,081)</u>
Uninsured Funds	3,660,986	-	3,660,986
 Pledged Collateral Held by the Pledging Bank's Trust Department or Agent	 <u>4,739,840</u>	 <u>-</u>	 <u>4,739,840</u>
Uninsured and (Over)/Under Collateralized	<u>\$ (1,078,854)</u>	<u>\$ -</u>	<u>\$ (1,078,854)</u>
 50% Pledged Collateral Requirement per Statute	 \$ 1,830,493	 \$ -	 \$ 1,830,493
Pledged Collateral	<u>4,739,840</u>	<u>-</u>	<u>4,739,840</u>
(Over) Under Collateralized	<u>\$ (2,909,347)</u>	<u>\$ -</u>	<u>\$ (2,909,347)</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, 2018, \$3,660,986 of the Village's bank balance of \$4,015,067 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>\$ 4,739,840</u>	<u>\$ 6,000,000</u>
Total Collateral Pledged		<u>\$ 4,739,840</u>	<u>\$ 6,000,000</u>

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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

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 2018 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 Water 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.

New Mexico Finance Authority Deposits - The Village has approximately \$160 on deposit with the New Mexico Finance Authority (NMFA). The amounts on deposits are being held in escrow by NMFA for debt service purposes. The amounts on deposit with NMFA are not covered by FDIC and not considered in the collateralization requirement calculation.

	Cash Balance	Reserve Funds Payable	Total on Deposit
NMFA PP-3305	\$ <u>160</u>	\$ <u>-</u>	\$ <u>160</u>

NOTE C - RECEIVABLES

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	\$ 76,973	\$ -	\$ 76,973
Infrastructure Gross Receipts Tax	3,851	-	3,851
Property Tax	14,179	(14,179)	-
Franchise Tax	7,777	-	7,777
Other Taxes	<u>259</u>	<u>-</u>	<u>259</u>
Taxes Receivable	<u>\$ 103,039</u>	<u>\$ (14,179)</u>	<u>\$ 88,860</u>

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:

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE C – RECEIVABLES (Cont.)

	Smokey Bear Enterprise	Solid Waste Fund	Water Fund	Total
Gross Accounts Receivable	\$ -	\$ 16,584	\$ 73,026	\$ 89,610
Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>	<u>(19,136)</u>	<u>(19,136)</u>
Accounts Receivable – Net	<u>\$ -</u>	<u>\$ 16,584</u>	<u>\$ 53,890</u>	<u>\$ 70,474</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 E - CAPITAL ASSETS

The following capital asset activity for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
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	135,000	-	1,522,974
Streets and Infrastructure	5,571,732	327,745	-	5,899,477
Vehicles	1,980,532	-	-	1,980,532
Machinery and Equipment	<u>548,282</u>	<u>25,000</u>	<u>-</u>	<u>573,282</u>
Total Depreciable Capital Assets	<u>9,488,520</u>	<u>487,745</u>	<u>-</u>	<u>9,976,265</u>
Accumulated Depreciation				
Buildings and Improvements	(560,081)	(45,547)	-	(605,628)
Streets and Infrastructure	(1,751,482)	(222,869)	-	(1,974,351)
Vehicles	(1,693,104)	(84,874)	-	(1,777,978)
Machinery and Equipment	<u>(273,423)</u>	<u>(36,703)</u>	<u>-</u>	<u>(310,126)</u>
Accumulated Depreciation	<u>(4,278,090)</u>	<u>(389,993)</u>	<u>-</u>	<u>(4,668,083)</u>
Total Depreciable Capital Assets, Net	<u>5,210,430</u>	<u>97,752</u>	<u>-</u>	<u>5,308,182</u>
Capital Assets, Net	<u>\$ 5,331,605</u>	<u>\$ 97,752</u>	<u>\$ -</u>	<u>\$ 5,429,357</u>

Management elected to present the Governmental Activities depreciation expense of \$389,993 as a separate line-item expense on the Statement of Activities rather than allocating the expense to each function within the primary government.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE E - CAPITAL ASSETS (Cont.)

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
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>
Accumulated Depreciation				
Water System	(3,884,281)	(160,538)	-	(4,044,819)
Sewer System	(213,414)	(44,782)	-	(258,196)
Building & Improvements	(24,078)	(4,736)	-	(28,814)
Vehicles	(193,258)	(11,295)	-	(204,553)
Machinery & Equipment	(102,772)	(12,132)	-	(114,904)
Smokey Bear Enterprise	<u>(35,869)</u>	<u>(246)</u>	<u>-</u>	<u>(36,115)</u>
Accumulated Depreciation	<u>(4,453,672)</u>	<u>(233,729)</u>	<u>-</u>	<u>(4,687,401)</u>
Total Depreciable Capital Assets, Net	<u>3,897,673</u>	<u>(233,729)</u>	<u>-</u>	<u>3,663,944</u>
Capital Assets, Net	<u>\$ 7,956,805</u>	<u>\$ (233,729)</u>	<u>\$ -</u>	<u>\$ 7,723,076</u>

NOTE F - 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 vacation leave due to employees as of June 30, 2018 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, 2017	Increases	Decreases	Balance June 30, 2018	Payable Within One Year
Governmental Activities	\$ 21,525	\$ 22,323	\$ (20,816)	\$ 23,032	\$ 8,235
Business-type Activities	<u>8,490</u>	<u>6,751</u>	<u>(5,759)</u>	<u>9,482</u>	<u>4,653</u>
Total	<u>\$ 30,015</u>	<u>\$ 29,074</u>	<u>\$ (26,575)</u>	<u>\$ 32,514</u>	<u>\$ 12,888</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE G - LONG-TERM DEBT

The Village had the following long-term debt obligations as of June 30, 2018:

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, 2018 was as follows:

Governmental	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Interest Paid	Due Within One Year
NMFA 3305-PP	\$ 40,465	\$ -	\$ (13,328)	\$ 27,137	\$ 553	\$ 13,476

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.

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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE G - LONG-TERM DEBT (Cont.)

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 \$31,562 in interest expense and other fees during the fiscal year from the Water and WasteWater Funds. Long-term debt activity for the year ended June 30, 2018 was as follows:

Proprietary	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Interest Paid	Due Within One Year
USDA-RUS 2001	\$ 379,800	\$ -	\$ (10,000)	\$ 369,800	\$ 18,041	\$ 10,000
USDA-RUS 2002	181,186	-	(3,900)	177,286	8,607	4,100
NMFA 2800-CIF	51,488	-	(3,218)	48,270	-	3,218
NMFA 0266-WTB	13,737	-	(792)	12,945	34	794
NMFA 3343-CIF	7,057	-	(392)	6,665	-	392
NMED RIP 2011-03	<u>162,677</u>	<u>-</u>	<u>(8,747)</u>	<u>153,930</u>	<u>4,880</u>	<u>9,009</u>
Total Long-term Debt	<u>\$ 795,945</u>	<u>\$ -</u>	<u>\$ (27,049)</u>	<u>\$ 768,896</u>	<u>\$ 31,562</u>	<u>\$ 27,513</u>

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

Fiscal Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	29,552	28,097	57,649
2024-2028	-	-	-	166,038	125,940	291,978
2029-2033	-	-	-	183,693	92,618	276,311
2034-2038	-	-	-	146,910	57,344	204,254
2039-2042	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,786</u>	<u>17,490</u>	<u>147,276</u>
	<u>\$ 27,137</u>	<u>\$ 623</u>	<u>\$ 27,760</u>	<u>\$ 765,896</u>	<u>\$ 444,906</u>	<u>\$ 1,213,802</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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

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 see Note D in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

Contributions. The contribution requirements of defined benefit plan members and the Town 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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 46 through 48 of the PERA FY17 annual audit report.

The PERA coverage option that applies to the Village is the Police Division. Statutorily required contributions to the pension plan from the Village were \$15,099 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2018.

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.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE I - PERA PENSION PLAN (Cont.)

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.

PERA Fund Division - Police. At June 30, 2018, the Village reported a liability of \$212,781 for its proportionate share of the net pension liability. At June 30, 2017, the Village's proportion was 0.0383%, which was higher than its 0.0370% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized PERA Fund - Police, pension expense of \$46,251. At June 30, 2018, 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	\$ 12,660	\$ 4,948
Changes in Proportion	38,380	-
Differences Between Expected and Actual Experience	12,923	39,756
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	17,137	-
Contributions Subsequent to Measurement Date	<u>15,099</u>	<u>-</u>
Totals	<u>\$ 96,199</u>	<u>\$ 44,704</u>

For the Police Division, \$15,099 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,	
2019	\$ 19,274
2020	25,802
2021	(3,670)
2022	<u>(5,010)</u>
Totals	<u>\$ 36,396</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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the PERA Board for use in the June 30, 2016 actuarial valuation.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE I - PERA PENSION PLAN (Cont.)

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Open
Amortization Period	Solved for Based on Statutory Rates
Asset Valuation Method	4-Year smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.51% Annual Rate, Net of Investment Expense
Projected Benefit Payment	100 Years
Payroll Growth	2.75% Annual Rate for first 9 years, then 3.25% annual rate
Projected Salary Increases	2.75% to 14.00% Annual Rate
Included Inflation at	2.25% Annual Rate first 9 years, then 2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables
Experience Study Dates	July 1, 2008 – June 30, 2013 (demographic) July 1, 2010 – June 30, 2016 (economic)

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 7.51% 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 7.51% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following table show the sensitivity of the net pension liability to changes in the discount rate. In particular, the 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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

Proportionate Share of Net Pension Liability	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Police	<u>\$ 339,327</u>	<u>\$ 212,781</u>	<u>\$ 108,932</u>

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE I - PERA PENSION PLAN (Cont.)

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 30,2018, the Village had no outstanding contributions to the pension plan which is reported within payroll liabilities payable in the General Fund.

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

NMFA 3343-CIF Water System Improvements - The Village has \$23,573 left to draw off of the Colonias Grant Funds for waterline replacements as of June 30, 2018. 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 \$392 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	6/30/18
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Municipal Police Division

Schedule of Proportionate Share of Net Pension Liability

Proportion of Net Pension Liability	0.0209%	0.0261%	0.0370%	0.0383%
Net Pension Liability	68,132	125,503	272,997	212,781
Annual Covered Payroll	64,052	90,283	102,872	98,056
NPL as Percentage of Covered Payroll	106%	139%	266%	217%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%	69.18%	73.74%

Schedule of Required Contributions

Contractually Required Contribution	9,864	13,903	14,910	15,099
Contributions Made	9,864	13,903	14,910	15,099
Contributions as Percentage of Covered Payroll	15.4%	15.4%	15.4%	15.4%

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

STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Changes of Benefit Terms. The Public Employees Retirement Association of New Mexico (PERA) Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

Changes of Assumptions. PERA Annual Actuarial Valuation as of June 30, 2017 report is available at:
http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf.

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

For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2018**

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.

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.

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.

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, 2018**

	Cemetery Fund	Corrections Fund	Municipal Streets Fund	Lodger's Tax Fund
ASSETS				
ASSETS				
Cash and Cash Equivalents	\$ 33,799	\$ 21,182	\$ 182,065	\$ 2,586
NMFA Cash and Equivalents	-	-	-	-
Taxes Receivable				
Infrastructure Gross Receipts	-	-	3,851	-
Gasoline	-	-	1,567	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 33,799</u></u>	<u><u>\$ 21,182</u></u>	<u><u>\$ 187,483</u></u>	<u><u>\$ 2,586</u></u>
 FUND BALANCE				
FUND BALANCES				
Restricted	\$ -	\$ 21,182	\$ 187,483	\$ 2,586
Assigned	<u>33,799</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u><u>33,799</u></u>	<u><u>21,182</u></u>	<u><u>187,483</u></u>	<u><u>2,586</u></u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u><u>\$ 33,799</u></u>	<u><u>\$ 21,182</u></u>	<u><u>\$ 187,483</u></u>	<u><u>\$ 2,586</u></u>

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

Law Enforcement Protection Fund	CDBG Senior Center Fund	Total Nonmajor Governmental Funds
\$ -	\$ 644	\$ 240,276
160	-	160
-	-	3,851
-	-	1,567
<u>\$ 160</u>	<u>\$ 644</u>	<u>\$ 245,854</u>

\$ 160	\$ 644	\$ 212,055
-	-	33,799
<u>160</u>	<u>644</u>	<u>245,854</u>
<u>\$ 160</u>	<u>\$ 644</u>	<u>\$ 245,854</u>

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

**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, 2018**

	Cemetery Fund	Corrections Fund	Municipal Streets Fund	Lodger's Tax Fund
REVENUES				
Taxes				
Infrastructure Gross Receipts	\$ -	\$ -	\$ 21,564	\$ -
Gasoline	-	-	24,522	-
Lodger's	-	-	-	3,734
Intergovernmental				
State	-	-	471,910	-
Fees and Fines	-	1,784	-	-
Interest Income	-	-	-	-
Miscellaneous	975	67	-	-
Total Revenues	<u>975</u>	<u>1,851</u>	<u>517,996</u>	<u>3,734</u>
EXPENDITURES				
Current				
Streets	-	-	45,276	-
Public Works	-	-	-	-
Culture and Recreation	14,069	-	-	4,200
Public Safety	-	495	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>352,745</u>	<u>-</u>
Total Expenditures	<u>14,069</u>	<u>495</u>	<u>398,021</u>	<u>4,200</u>
Net Change in Fund Balance	(13,094)	1,356	119,975	(466)
Fund Balance, Beginning	<u>46,893</u>	<u>19,826</u>	<u>67,508</u>	<u>3,052</u>
Fund Balance, Ending	<u>\$ 33,799</u>	<u>\$ 21,182</u>	<u>\$ 187,483</u>	<u>\$ 2,586</u>

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

Law Enforcement Protection Fund	CDBG Senior Center Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 21,564
-	-	24,522
-	-	3,734
21,800	-	493,710
-	-	1,784
118	-	118
-	-	1,042
<u>21,918</u>	<u>-</u>	<u>546,474</u>
-	-	45,276
-	-	-
-	-	18,269
7,919	-	8,414
13,328	-	13,328
553	-	553
<u>-</u>	<u>-</u>	<u>352,745</u>
<u>21,800</u>	<u>-</u>	<u>438,585</u>
118	-	107,889
42	644	137,965
<u>\$ 160</u>	<u>\$ 644</u>	<u>\$ 245,854</u>

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

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Service	\$ 1,500	\$ 1,500	\$ 975	\$ (525)
Interest Income	100	100	-	(100)
Total Revenues	1,600	1,600	975	(625)
EXPENDITURES				
Current				
Culture and Recreation	3,000	3,000	14,069	(11,069)
Total Expenditures	3,000	3,000	14,069	(11,069)
Excess (Deficiency) of Revenues over Expenditures	(1,400)	(1,400)	(13,094)	(11,694)
Cash Balance, Beginning of Year	46,893	46,893	46,893	-
Cash Balance, End of Year	<u>\$ 45,493</u>	<u>\$ 45,493</u>	<u>\$ 33,799</u>	<u>\$ (11,694)</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ (13,094)</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ (13,094)</u>	

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

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Fines and Forfeits	\$ 4,200	\$ 4,200	\$ 1,784	\$ (2,416)
Miscellaneous	-	-	67	67
Total Revenues	4,200	4,200	1,851	(2,349)
EXPENDITURES				
Current				
Public Safety	4,200	4,200	495	3,705
Total Expenditures	4,200	4,200	495	3,705
Net Change in Fund Balance	-	-	1,356	1,356
Cash Balance, Beginning of Year	19,826	19,826	19,826	-
Cash Balance, End of Year	<u>\$ 19,826</u>	<u>\$ 19,826</u>	<u>\$ 21,182</u>	<u>\$ 1,356</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 1,356</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 1,356</u>	

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Infrastructure Gross Receipts	\$ 13,440	\$ 13,440	\$ 21,121	\$ 7,681
Gasoline	22,230	22,230	24,522	2,292
Intergovernmental				
State	129,000	471,910	471,910	-
Miscellaneous	10,257	10,257	-	(10,257)
Total Revenues	<u>174,927</u>	<u>517,837</u>	<u>517,553</u>	<u>(284)</u>
EXPENDITURES				
Current				
Streets	37,000	45,300	45,276	24
Capital Outlay	<u>129,000</u>	<u>352,745</u>	<u>352,745</u>	<u>-</u>
Total Expenditures	<u>166,000</u>	<u>398,045</u>	<u>398,021</u>	<u>24</u>
Net Change in Fund Balance	8,927	119,792	119,532	(260)
Cash Balance, Beginning of Year	<u>67,508</u>	<u>67,508</u>	<u>67,508</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 85,362</u>	<u>\$ 307,092</u>	<u>\$ 306,572</u>	<u>\$ (520)</u>
Reconciliation to GAAP Basis				
(Deficiency) of Revenues over Expenditures - Budget Basis			\$ 119,532	
Changes in:				
Infrastructure Gross Receipts Tax Receivable			<u>443</u>	
(Deficiency) of Revenues over Expenditures - GAAP Basis			<u>\$ 119,975</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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Lodger's	\$ 3,150	\$ 3,150	\$ 3,734	\$ 584
Total Revenues	3,150	3,150	3,734	584
EXPENDITURES				
Current				
Culture and Recreation	4,000	4,200	4,200	-
Total Expenditures	4,000	4,200	4,200	-
Net Change in Fund Balance	(850)	(1,050)	(466)	584
Cash Balance, Beginning of Year	3,052	3,052	3,052	-
Cash Balance, End of Year	\$ 2,202	\$ 2,002	\$ 2,586	\$ 584
Reconciliation to GAAP Basis				
(Deficiency) of Revenues over Expenditures - Budget Basis			\$ (466)	
(Deficiency) of Revenues over Expenditures - GAAP Basis			\$ (466)	

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, 2018

	<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	-	-	118	118
Total Revenues	<u>21,800</u>	<u>21,800</u>	<u>21,918</u>	<u>118</u>
EXPENDITURES				
Current				
Public Safety	7,919	7,919	7,919	-
Debt Service				
Principal	13,328	13,328	13,328	-
Interest	<u>553</u>	<u>553</u>	<u>553</u>	<u>-</u>
Total Expenditures	<u>21,800</u>	<u>21,800</u>	<u>21,800</u>	<u>-</u>
Net Change in Fund Balance	-	-	118	118
Cash Balance, Beginning of Year	<u>42</u>	<u>42</u>	<u>42</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 42</u>	<u>\$ 42</u>	<u>\$ 160</u>	<u>\$ 118</u>
Reconciliation to GAAP Basis				
Deficiency of Revenues over Expenditures - Budget Basis			<u>\$ 118</u>	
Deficiency of Revenues over Expenditures - GAAP Basis			<u>\$ 118</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, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales	\$ 59,152	\$ 59,152	\$ 58,207	\$ (945)
Other Revenue	-	-	192	192
Total Operating Revenues	59,152	59,152	58,399	(753)
OPERATING EXPENSES				
Current				
Operations	58,158	61,458	71,605	(10,147)
Total Operating Expenses	58,158	61,458	71,605	(10,147)
Change in Net Position	994	(2,306)	(13,206)	(10,900)
Cash - Beginning of Year	65,986	65,986	65,986	-
Cash - End of Year	\$ 66,980	\$ 63,680	\$ 52,780	\$ (10,900)
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ (13,206)	
Depreciation			(246)	
Change in:				
Inventory			(10,551)	
Sales Tax Payable			909	
Accrued Compensated Absences			386	
Change in Net Position - GAAP Basis			\$ (22,708)	

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

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services				
Sanitation	\$ 248,794	\$ 248,794	\$ 204,565	\$ (44,229)
Other Revenue	-	-	11,992	11,992
Total Operating Revenues	<u>248,794</u>	<u>248,794</u>	<u>216,557</u>	<u>(32,237)</u>
OPERATING EXPENSES				
Current				
Sanitation	<u>201,417</u>	<u>245,417</u>	<u>217,407</u>	<u>28,010</u>
Total Operating Expenses	<u>201,417</u>	<u>245,417</u>	<u>217,407</u>	<u>28,010</u>
Operating Income	47,377	3,377	(850)	(4,227)
NONOPERATING REVENUE (EXPENSES)				
Environmental Gross Receipts	<u>-</u>	<u>-</u>	<u>10,561</u>	<u>10,561</u>
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>-</u>	<u>10,561</u>	<u>10,561</u>
Change in Net Position	47,377	3,377	9,711	6,334
Cash - Beginning of Year	<u>10,482</u>	<u>10,482</u>	<u>10,482</u>	<u>-</u>
Cash - End of Year	<u>\$ 57,859</u>	<u>\$ 13,859</u>	<u>\$ 20,193</u>	<u>\$ 6,334</u>
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 9,711	
Changes In:				
Accounts Receivable			(379)	
Accounts Payable			<u>20,985</u>	
Change in Net Position - GAAP Basis			<u>\$ 30,317</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services				
Water	\$ 960,562	\$ 960,562	\$ 483,476	\$ (477,086)
Late Fees			9,038	9,038
State Grant Proceeds			51,427	51,427
Water Rights Lease			99,378	99,378
Interest Income			2,087	
Other Revenue	<u>258,965</u>	<u>258,965</u>	<u>14,321</u>	<u>(244,644)</u>
Total Operating Revenues	1,219,527	1,219,527	659,727	(561,887)
OPERATING EXPENSES				
Current				
Operations	1,186,812	1,186,812	515,390	671,422
Debt Service				
Principal	18,302	18,302	18,302	-
Interest	<u>26,682</u>	<u>26,682</u>	<u>29,264</u>	<u>(2,582)</u>
Total Operating Expenses	<u>1,231,796</u>	<u>1,231,796</u>	<u>562,956</u>	<u>668,840</u>
Change in Net Position	(12,269)	(12,269)	96,771	(454,934)
Cash - Beginning of Year	<u>1,126,990</u>	<u>1,126,990</u>	<u>1,126,990</u>	<u>-</u>
Cash - End of Year	<u>\$ 1,114,721</u>	<u>\$ 1,114,721</u>	<u>\$ 1,223,761</u>	<u>\$ (454,934)</u>
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 96,771	
Depreciation			(188,701)	
Principal Payments			18,302	
Changes In:				
Accounts Receivable			1,198	
NMFA Project Funds Receivable			(7,500)	
Customer Deposits			(7,660)	
Accrued Interest			(2,582)	
Accrued Sales Tax			1,674	
Accrued Compensated Absences			<u>(606)</u>	
Change in Net Position - GAAP Basis			<u>\$ (89,104)</u>	

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

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services				
Sewer	\$ 36,597	\$ 36,597	\$ 60,377	\$ 23,780
Other Revenue	-	-	2,575	2,575
Total Operating Revenues	<u>36,597</u>	<u>36,597</u>	<u>62,952</u>	<u>26,355</u>
OPERATING EXPENSES				
Current				
Operations	1,000	7,086	7,086	-
Debt Service				
Principal	8,747	8,747	8,747	-
Interest	<u>4,880</u>	<u>4,880</u>	<u>4,880</u>	<u>-</u>
Total Operating Expenses	<u>14,627</u>	<u>20,713</u>	<u>20,713</u>	<u>-</u>
Change in Net Position	21,970	15,884	42,239	26,355
Cash - Beginning of Year	<u>-</u>	<u>-</u>	<u>242,530</u>	<u>(242,530)</u>
Cash - End of Year	<u>\$ 21,970</u>	<u>\$ 15,884</u>	<u>\$ 284,769</u>	<u>\$ (216,175)</u>
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 42,239	
Depreciation			(44,782)	
Principal Payments			<u>8,747</u>	
Change in Net Position - GAAP Basis			<u>\$ 6,204</u>	

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
COURT ESCROW AGENCY FUND
YEAR ENDED JUNE 30, 2018**

	Balance 06/30/17	Additions	Deductions	Balance 06/30/18
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>

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
COURT AGENCY FUND
YEAR ENDED JUNE 30, 2018**

	Balance 06/30/17	Additions	Deductions	Balance 06/30/18
ASSETS				
ASSETS				
Cash and Cash Equivalents	\$ 561	\$ -	\$ -	\$ 561
Total Assets	<u>\$ 561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561</u>
 LIABILITIES				
LIABILITIES				
Due to Other Agencies	\$ 561	\$ -	\$ -	\$ 561
Total Liabilities	<u>\$ 561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561</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, 2018**

	Balance 06/30/17	Additions	Deductions	Balance 06/30/18
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, 2018, 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 November 19, 2018.

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

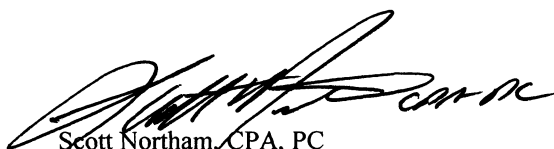
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2018-001 (2015-002) and 2018-002 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
November 19, 2018

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-001 (2015-002) - Legal Compliance with Budget – Other Non-Compliance (Repeated and Revised)

CONDITION - The Village exceeded the budgetary authority in the General Fund by approximately \$244,862, Cemetery Fund by approximately \$11,069, and Smokey Bear Enterprise Fund by approximately \$10,147.

PROGRESS OF RESOLVING PRIOR YEAR FINDING – The finding was revised and repeated. The Village had made progress toward resolving the finding on all funds until the donation of the train depot and playground occurred at the end of the year. The final budget for the General fund was not adjusted for the value of the donation of \$135,000 as capital outlay.

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

CAUSE – The new finance director was unaware about adjusting the budget for donated items received during the fiscal year as well as for the accounts payable run for June expenses after year end included in the expenditures.

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 – With stability in the finance director position and the implementation of the online budgeting system by DFA, the Finance Director will be more cognizant of budget variances and will work with the Clerk, Council and department heads to identify any unusual or one-time increases in the expenditures and will adjust the budget accordingly. This finding should be resolved by the final budget submission deadline for the 2019 Fiscal Year.

2018-002 - PERA Reporting – Other Non-Compliance

CONDITION – Five of the 26 PERA reports for the fiscal year were not reported within the required five business day time frame most of them approximately 14 days late.

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

CAUSE - Personnel turnover in the finance department was primarily responsible for the reports not being timely remitted.

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

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

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – In most cases, the overdue reports were filed when the next report was due to PERA. No additional reports have been late since the last report for the pay period ending May 27, 2018. This finding was resolved in June 2018.

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2018**

Finding	Status
2015-002 Legal Compliance with Budget	Revised, Repeated
2017-002 DFA Report Does Not Reconcile to the Village's Cash	Resolved

**STATE OF NEW MEXICO
VILLAGE OF CAPITAN
EXIT CONFERENCE
JUNE 30, 2018**

An entrance conference was held with Village personnel on October 10, 2018. The contents of this report were discussed with the Village of Capitan representatives at an exit conference on November 19, 2018. The following individuals were present for the exit conference:

Village of Capitan

Dennis Haskell, Mayor
Laura McInnis, Village Clerk
Kristi Wilson, 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.