STATE OF NEW MEXICO

Village of Pecos

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Village of Pecos
Official Roster
June 30, 2018

CITY COUNCIL

Ted Benavidez .... Mayor

Ralph Lopez.. Trustee

Herman Gallegos.. Trustee

Brian Sandoval .... Trustee

Armando Gabaldon... Trustee

ADMINISTRATIVE OFFICIALS

Angela Peinado...Treasurer

Ramona Quintana... Village Clerk

Jeannette Bowles ….. .... Administrative Assistant

Corrine Varela...Utility Clerk/MVD Manager

FINANCIAL SECTION

SAS CPA

Auditors~Consultants~CPA

INDEPENDENT AUDITORS' REPORT

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and
To the Honorable Mayor and Village Councilors of
Village of Pecos
Pecos, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds, of the Village of Pecos, New Mexico (the Village), 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

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 responsibility 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 did not audit the financial statements of the Village of Pecos Housing Authority, a component unit of the Village which represents 100 percent of the balances and activity reported for the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Village of Pecos Housing Authority, is based solely on the report of the other auditors. 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 Governmental 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, and accordingly, no such opinion is expressed. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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 opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the Village, as of June 30, 2018, and the respective changes in financial position and where applicable, 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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require Schedules I, II, III and IV on pages 66-71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge 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.

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. The combining and individual fund financial statements and Supporting Schedules V, VI and VII required by Section 2.2.2 NMAC and the Financial Data Schedule, Schedule VIII, which is required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and Supporting Schedules V, VI and VII, required by Section 2.2.2 NMAC, is the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, Supporting Schedules V, VI and VII, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supporting Schedule VIII, required by the U.S. Department of Housing and Urban Development, is the responsibility of management and was furnished to us by other auditors and our opinion, insofar as it relates to Schedule VIII, is based solely on the report of the other auditors. Based on the report supplied to us from other auditors Schedule VIII was derived from and relates directly to the underlying accounting and other records used by the other auditors to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by the other auditors in their audit of the Authority's basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In the opinion of the other auditors, Schedule VIII, required by the U.S. Department of Housing and Urban Development, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 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 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.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
December 6, 2018

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Village of Pecos
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing Authority
Assets				
Current Assets				
Cash and cash equivalents	$ 361,595	$ 234,835	$ 596,430	$ 98,604
Restricted Cash		61,917	61,917	-
Inventory	-	-	-	10,145
Receivables:				
Taxes Receivable	70,777	-	70,777	-
Customer receivables, net	-	45,670	45,670	2,872
Prepaid Expenses	782	1,549	2,331	-
Due from other funds	-	27,063	27,063	-
Total current assets	433,154	371,034	804,188	111,621
Noncurrent assets				
Restricted cash	-		-	8,250
Capital assets	5,507,418	9,944,417	15,451,835	1,627,360
Less: Accumulated Depreciation	(1,744,548)	(2,445,715)	(4,190,263)	(1,174,642)
Total noncurrent assets	3,762,870	7,498,702	11,261,572	460,968
Deferred outflows of resources				
Deferred outflows related to pension	86,164	49,254	135,418	-
Deferred outflows related to OPEB	7,693	3,789	11,482	-
Total deferred outflows	93,857	53,043	146,900	-
Total assets, and deferred outflows of resources	$ 4,289,881	$ 7,922,779	$ 12,212,660	$ 572,589

See Independent Auditors’ Report and Notes to Financial Statements

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing Authority
Liabilities				
Current Liabilities				
Accounts payable	$ 3,705	$ 5,904	$ 9,609	$ 2,294
Accrued salaries and benefits	17,524	5,899	23,423	3,645
Unearned revenue	630		630	
Customer deposits	-	-	-	8,250
Accrued interest	-	3,592	3,592	-
Due to other funds	27,063		27,063	-
Loans payable	10,027	45,657	55,684	-
Compensated absences	9,091	2,755	11,846	-
Total current liabilities	68,040	63,807	131,847	14,189
Noncurrent liabilities				
Loans payable	30,324	686,435	716,759	-
Compensated absences	-	-	-	1,151
Customer deposits	-	11,820	11,820	-
Net pension liability	325,310	172,423	497,733	-
Net OPEB liability	207,982	102,438	310,420	-
Total noncurrent liabilities	563,616	973,116	1,536,732	1,151
Total Liabilities	631,656	1,036,923	1,668,579	15,340
Deferred inflows of resources				
Deferred inflows related to pension	23,326	14,331	37,657	-
Deferred inflows related to OPEB	47,336	23,315	70,651	-
Total deferred inflows of resources	70,662	37,646	108,308	-
Net Position				
Net investment in capital assets	3,722,519	6,766,610	10,489,129	452,718
Restricted for:				
Debt Service	-	50,097	50,097	-
Special Revenue	284,126	-	284,126	-
Unrestricted	(419,082)	31,503	(387,579)	104,531
Total net position	3,587,563	6,848,210	10,435,773	557,249
Total liabilities, deferred inflows of resources, and net position	$ 4,289,881	$ 7,922,779	$ 12,212,660	$ 572,589

STATE OF NEW MEXICO
Village of Pecos
Statement of Activities
For the Year Ended June 30, 2018

Functions and Programs		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	$ 831,943	$ 50,988	$ 165,180	$ -
Public Safety	39,158	-	113,710	-
Public Works	57,789	-	-	395,888
Culture and Recreation	-	-	-	-
Health and welfare	17,679	-	-	-
Interest on Long-Term Debt	62	-	-	-
Total Governmental Activities	946,631	50,988	278,890	395,888
Business-Type Activities				
Waste Water	249,984	101,181	-	-
Water	315,650	292,198	-	-
Total Business-Type Activities	565,634	393,379	-	$ -
Total primary government	$ 1,512,265	$ 444,367	$ 278,890	$ 395,888
Component Unit:				
Housing Authority	$ 208,290	$ 112,212	$ 81,933	33,004

General Revenues:

Taxes:

Property taxes levied for general purposes

Gross receipt taxes

Gas taxes

Franchise taxes

Lodgers taxes

Interest income

Miscellaneous Income

Subtotal, General Revenues

Change in Net Position

Net Position - beginning

Restatement (note 19)

Net Position - as restated

Net Position - ending

See Independent Auditors' Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Government Activities	Business-Type Activities	Total	Housing Authority
$ (615,775)	$ -	$ (615,775)	$ -
74,552	-	74,552	-
338,099	-	338,099	-
-	-	-	-
(17,679)	-	(17,679)	-
(62)	-	(62)	-
(220,865)	-	(220,865)	-
-	(148,803)	(148,803)	-
-	(23,452)	(23,452)	-
	-	-	
$ -	(172,255)	(172,255)	$ -
$ (220,865)	$ (172,255)	$ (393,120)	-
-	-	-	18,859
13,483	-	13,483	-
340,381	-	340,381	-
11,615	-	11,615	-
13,984	-	13,984	-
-	-	-	-
183	150	333	88
2,651	4,076	6,727	1,375
382,297	4,226	386,523	1,463
161,432	(168,029)	(6,597)	20,322
3,666,193	7,134,838	10,801,031	536,927
(240,062)	(118,599)	(358,661)	-
3,426,131	7,016,239	10,442,370	536,927
$ 3,587,563	$ 6,848,210	$ 10,435,773	$ 557,249

STATE OF NEW MEXICO
Village of Pecos
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Fire Protection	Law Enforcement	Street
Assets				
Cash and cash equivalents	$ 21,821	$ 175,896	$ 40,030	$ 83,003
Taxes receivable	67,343	-	-	2,102
Prepaid expense	782	-	-	-
'Due from other funds	36,894	-	-	-
Total assets	$ 126,840	$ 175,896	$ 40,030	$ 85,105
Liabilities and fund balance				
Liabilities				
Accounts payable	$ 680	$ 581	175	$ 2,269
Accrued salaries and benefits	17,524	-		-
Due to other funds	-	539	32,285	6,241
Unearned Revenue	630	-		-
Total liabilities	18,834	1,120	32,460	8,510
Fund balance				
Nonspendable				
Interfund loans	36,894	-	-	-
Spendable				
Restricted for:				
Public safety	-	174,776	7,570	-
Public works	-	-	-	76,595
Health and welfare	-	-	-	-
Minimum fund balance	58,206	-	-	-
Unassigned	12,906	-	-	
Total fund balances	108,006	174,776	7,570	76,595
Total liabilities and fund balances	$ 126,840	$ 175,896	$ 40,030	$ 85,105

See Independent Auditors' Report and Notes to Financial Statements

Capital Projects WWTP III	Other Governmental Funds	Total
$ 12,560	$ 28,285	$ 361,595
-	1,332	70,777
-	-	782
-	-	36,894
$ 12,560	$ 29,617	$ 470,048
$ -	$ -	$ 3,705
-	-	17,524
20,460	4,432	63,957
-	-	630
20,460	4,432	85,816
-	-	36,894
-	5,665	188,011
-	-	76,595
-	19,520	19,520
-	-	58,206
(7,900)		5,006
(7,900)	25,185	384,232
$ 12,560	$ 29,617	$ 470,048

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STATE OF NEW MEXICO
Village of Pecos
Reconciliation of the Balance Sheet to the Statement of Net Position
Govermental Funds
June 30, 2018

Total Fund Balance - Governmental Funds		
Amounts reported for governmental activities in the statement of net position are different because:	$	384,232
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Capital assets		5,507,418
Less: Accumulated depreciation		(1,744,548)
Deferred outflows and inflows relating to pension and OPEB liabilities are not payable / collectible in the current period and therefore are not reported in the fund financial statements. Deferred outflows and inflows reported on the Statement of Net Position are as follows:		
Deferred Outflows		93,857
Deferred Inflows		(70,662)
Long-term and certain other liabilities, including loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:		
Accrued compensated absences		(9,091)
Loans payable		(40,351)
Pension liability		(325,310)
OPEB Liability		(207,982)
Total net position of governmental activities	$	3,587,563

STATE OF NEW MEXICO
Village of Pecos
Statement of Revenues, Expenses, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Fire Protection	Law Enforcement	Street
Revenues				
Property taxes	$ 13,483	$ -	$ -	$ -
Gross receipt taxes	332,409	-	-	-
Gas tax	-	-	-	11,615
Franchise taxes	13,984	-	-	-
State operating grants	165,180	107,046	6,664	-
State capital grants		-	-	-
Charges for services	7,685	-	-	-
Licenses and fees	43,303	-	-	-
Interest income	130	53	-	-
Miscellaneous income	2,651	-	-	-
Total revenue	578,825	107,099	6,664	11,615
Expenditures				
Current:				
General government	698,473	-	-	-
Public safety	-	32,876	-	-
Public works	-	-	-	42,503
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	10,027	-	-
Interest	-	62	-	-
Total expenditures	698,473	42,965	-	42,503
Excess (deficiency) of revenues over expenditures	(119,648)	64,134	6,664	(30,888)
Net change in fund balance	(119,648)	64,134	6,664	(30,888)
Fund balance - beginning of year	227,654	110,642	906	107,483
Fund balance - end of year	$ 108,006	$ 174,776	$ 7,570	$ 76,595

See Independent Auditors' Report and Notes to Financial Statements

Capital Projects WWTP III	Other Governmental Funds	Total
$ -	$ -	$ 13,483
-	7,972	340,381
-	-	11,615
-	-	13,984
-	-	278,890
395,888	-	395,888
-	-	7,685
-	-	43,303
-	-	183
-	-	2,651
395,888	7,972	1,108,063
-	-	698,473
-	-	32,876
6,015	-	48,518
-	14,843	14,843
393,893	-	393,893
-	-	10,027
-	-	62
399,908	14,843	1,198,692
(4,020)	(6,871)	(90,629)
(4,020)	(6,871)	(90,629)
(3,880)	32,056	474,861
$ (7,900)	$ 25,185	$ 384,232

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STATE OF NEW MEXICO
Village of Pecos
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balance - Governmental Funds	$	(90,629)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over there estimated useful lives and reported as depreciation expense:		
Capital Expenditures recorded in capital outlay		393,893
Depreciation expense		(134,069)
Governmental funds report Village pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
Change in net pension and OPEB liability		(20,449)
The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, changes in accrued compensated absences does not consume current financial resources in governmental funds but does affect net position.		
Decrease in accrued compensated absences		2,659
Principal payments on bonds and loans payable		10,027
Change in Net Position of Governmental Activities	$	161,432

See Independent Auditors' Report and Notes to Financial Statements

Exhibit C-1

STATE OF NEW MEXICO
Village of Pecos
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property taxes	$ 11,741	$ 11,741	$ 13,483	$ 1,742
Gross receipts	314,400	314,400	319,851	5,451
Gasoline and Motor vehicle	26,700	26,700	-	(26,700)
Franchise tax	-	-	13,984	13,984
Intergovernmental income:				
Federal capital grants	-	-	-	-
State operating grants	205,000	205,000	165,180	(39,820)
State capital grants	-	-	-	-
Charges for services	2,050	2,050	7,685	5,635
Licenses and fees	3,650	3,650	43,303	39,653
Interest income (loss)	200	200	130	(70)
Miscellaneous	5,900	5,900	2,651	(3,249)
Total revenue	569,641	569,641	566,267	(3,374)
Expenditures				
Current				
General government	661,000	698,038	698,038	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	661,000	698,038	698,038	-
Excess (deficiency) of revenues over expenditures	(91,359)	(128,397)	(131,771)	(3,374)
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	91,359	128,397	131,771	
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance	(91,359)	(128,397)	(131,771)	
Fund balance - beginning of year			227,654	
Fund balance - end of year			$ 95,883	
Net change in fund balance (non-GAAP budgetary basis)			(131,771)	
Adjustments to revenue for taxes and grants receivable			12,123	
Adjustment to expenditures for accounts payable and accrued payroll			-	
Net Change in fund balance (GAAP basis)			$ (119,648)	

See Independent Auditors' Report and Notes to Financial Statements

Exhibit C-2

STATE OF NEW MEXICO
Village of Pecos
Fire Protection
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property taxes	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	133,760	133,760	106,741	(27,019)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	53	53
Miscellaneous	-	-	-	-
Total revenue	133,760	133,760	106,794	(26,966)
Expenditures				
Current				
General government	-	-		-
Public safety	212,209	212,219	32,571	179,648
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	10,029	(10,029)
Interest	-	-	60	(60)
Total expenditures	212,209	212,219	42,660	169,559
Excess (deficiency) of revenues over expenditures	(78,449)	(78,459)	64,134	142,593
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	78,449	78,459		
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance	(78,449)	(78,459)	64,134	
Fund balance - beginning of year			110,642	
Fund balance - end of year			$ 174,776	
Net change in fund balance (non-GAAP budgetary basis)			64,134	
Adjustments to revenue for taxes and grants receivable			305	
Adjustment to expenditures for accounts payable			(305)	
Net Change in fund balance (GAAP basis)			$ 64,134	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Pecos
Law Enforcement
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

Exhibit C-3

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property taxes	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	20,000	20,000	6,664	(13,336)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	20,000	20,000	6,664	(13,336)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	20,000	20,000	6,664	(13,336)
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(20,000)	(20,000)		
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance			6,664	
Fund balance - beginning of year			906	
Fund balance - end of year			$ 7,570	
Net change in fund balance (non-GAAP budgetary basis)			6,664	
Adjustments to revenue for taxes and grants receivable			305	
Adjustment to expenditures for accounts payable			(305)	
Net Change in fund balance (GAAP basis)			$ 6,664	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Pecos
Streets
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

Exhibit C-4

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property taxes	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	12,000	12,000	12,648	648
Franchise tax	-	-	-	-
Intergovernmental income:				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	12,000	12,000	12,648	648
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	86,000	86,000	42,503	43,497
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	86,000	86,000	42,503	43,497
Excess (deficiency) of revenues over expenditures	(74,000)	(74,000)	(29,855)	44,145
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	74,000	74,000		
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance	(74,000)	(74,000)	(29,855)	
Fund balance - beginning of year			107,483	
Fund balance - end of year			$ 77,628	
Net change in fund balance (non-GAAP budgetary basis)			(29,855)	
Adjustments to revenue for taxes receivable			1,236	
Adjustment to expenditures for accounts payable			(2,269)	
Net Change in fund balance (GAAP basis)			$ (30,888)	

See Independent Auditors' Report and Notes to Financial Statements

Exhibit D-1

STATE OF NEW MEXICO
Village of Pecos
Statement of Net Position
Proprietary Funds
June 30, 2018

	Waste Water	Water	Total
Assets			
Cash and cash equivalents	$ 164,826	$ 70,009	$ 234,835
Restricted cash and cash equivalents	33,206	28,711	61,917
Accounts receivable, net	11,459	34,211	45,670
Prepaid expense	-	1,549	1,549
Due From other funds	16,627	20,822	37,449
Total current assets	226,118	155,302	381,420
Noncurrent assets			
Restricted cash and cash equivalents			-
Customer deposits	-		-
Capital Assets	6,987,124	2,957,293	9,944,417
Less: Accumulated depreciation	(1,244,249)	(1,201,466)	(2,445,715)
Total noncurrent assets	5,742,875	1,755,827	7,498,702
Deferred outflows of resources			
Deferred outflows related to pension	-	49,254	49,254
Deferred outflows related to OPEB	-	3,789	3,789
Total deferred outflows	-	53,043	53,043
Total assets, and deferred outflows of resources	$ 5,968,993	$ 1,964,172	$ 7,933,165
Liabilities, deferred inflows and net position			
Liabilities			
Accounts payable	2,204	3,700	$ 5,904
Accrued salaries and benefits	-	5,899	5,899
Accrued interest	-	3,592	3,592
Loans payable	-	45,657	45,657
Compensated absences	-	2,755	2,755
Due to other funds	-	10,386	10,386
Total current liabilities	2,204	71,989	74,193
Noncurrent liabilities			
Loans payable	-	686,435	686,435
Customer deposits	570	11,250	11,820
Net pension liability	-	172,423	172,423
Net OPEB liability	-	102,438	102,438
Total noncurrent liabilities	570	972,546	973,116
Total Liabilities	2,774	1,044,535	1,047,309
Deferred inflows of resources			
Deferred inflows related to pension	-	14,331	14,331
Deferred inflows of related to OPEB	-	23,315	23,315
Total deferred inflows of resources	-	37,646	37,646
Net position			
Net investment in capital asset	5,742,875	1,023,735	6,766,610
Restricted for:			
Debt service	32,636	17,461	50,097
Unrestricted	190,708	(159,205)	31,503
Total net position	5,966,219	881,991	6,848,210
Total liabilities, deferred inflows of resources and net position	$ 5,968,993	$ 1,964,172	$ 7,933,165

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Exhibit D-2

Village of Pecos
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Waste Water	Water	Total
Operating revenues:			
Charges for services	$ 101,181	$ 292,198	$ 393,379
Total operating revenues	101,181	292,198	393,379
Operating expenses:			
Depreciation and amortization	165,597	50,820	216,417
Personnel services	-	174,485	174,485
Contractual services	47,277	286	47,563
Supplies	972	7,184	8,156
Maintenance and Materials	2,029	4,996	7,025
Utilities	27,521	33,751	61,272
Miscellaneous	6,588	26,134	32,722
Total operating expense	249,984	297,656	547,640
Operating income (loss)	(148,803)	(5,458)	(154,261)
Non-operating revenues (expense):			
Interest income	25	125	150
Other Income	-	4,076	4,076
Interest expense	-	(17,994)	(17,994)
Total non-operating revenues (expense)	25	(13,793)	(13,768)
Income (loss) before contributions and transfers	(148,778)	(19,251)	(168,029)
Transfers in	-	14,513	14,513
Transfers out	(14,513)	-	(14,513)
Total contributions and transfers	(14,513)	14,513	-
Change in Net Position	(163,291)	(4,738)	(168,029)
Net Position - beginning of the year	6,129,510	1,005,328	7,134,838
Restatement (Note 19)	-	(118,599)	(118,599)
Net Position - as restated	6,129,510	886,729	7,016,239
Net Position - end of the year	$ 5,966,219	$ 881,991	$ 6,848,210

See Independent Auditors' Report and Notes to Financial Statements

Exhibit D-3

STATE OF NEW MEXICO
Village of Pecos
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Waste Water	Water	Total
Cash flow from operating activities			
Cash received from customers	$ 105,476	$ 272,461	$ 377,937
Cash payments to employees for services	-	(157,173)	(157,173)
Cash payments to suppliers for goods and services	(84,810)	(78,062)	(162,872)
Net cash provided by operating activities	20,666	37,226	57,892
Cash flow from noncapital financing activities			
Miscellaneous	-	4,076	4,076
Governmental contributions	-	30,000	30,000
Transfers	(14,658)	16,112	1,454
Net cash flows provided by noncapital financing activities	(14,658)	50,188	35,530
Cash Flows from capital and related financing activities:			
Interest paid	(29)	(18,938)	(18,967)
Principal payments	-	(45,782)	(45,782)
Acquisition of capital assets	(1,075)	-	(1,075)
Net cash provided (used) by capital and related financing activities	(1,104)	(64,720)	(65,824)
Cash flows from investing activities			
Interest income	25	125	150
Net cash provided by investing activities	25	125	150
Net increase (decrease) in cash and cash equivalents	4,929	22,819	27,748
Cash & cash equivalents - beginning of year	193,103	72,820	265,923
Restatement cash & cash equivalents - beginning of year	-	3,081	3,081
Cash & cash equivalents - end of year	$ 198,032	$ 98,720	$ 296,752
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (148,803)	$ (5,458)	$ (154,261)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	165,597	50,820	216,417
Pension expense	-	20,341	20,341
OPEB Expense	-	284	284
Changes in assets & liabilities:			
Receivables	4,295	3,256	7,551
Prepaid expense		(1,549)	(1,549)
Accounts payable	(423)	(4,162)	(4,585)
Accrued salaries and benefits	-	(1,477)	(1,477)
Compensated absences	-	(1,836)	(1,836)
Customer deposits	-	(22,993)	(22,993)
Net cash provided (used) by operating activities	$ 20,666	$ 37,226	$ 57,892

See Independent Auditors’ Report and Notes to Financial Statements

FIDUCIARY FUNDS

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STATE OF NEW MEXICO
Village of Pecos
Statement of Fiduciary Net Position
Agency Funds
For the Year Ended June 30, 2018

Exhibit-E

Assets	
Cash	$ -
Total assets	$ -
Liabilities	
Due to other entities	$ -
Total Liabilities	$ -

See Independent Auditors' Report and Notes to Financial Statements

NOTE 1. Summary of Significant Accounting Policies

The Village of Pecos (Village) was incorporated in 1950 under the laws of the State of New Mexico. The Village operates under a Mayor-Trustee form of government and provides the following services as authorized by its charter: public safety (fire), streets, sanitation, health and social services, culture and recreation, education, public improvements, and general administrative services.

The Village is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have a common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Village is presented 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 are 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 governmental units.

A. Financial Reporting Entity

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, though legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Village has one discretely presented component unit.

The Pecos Housing Authority (the Authority) has been determined to be a component unit of the Village that should be discretely presented in the Village's financial statements pursuant to the criteria described above. The Authority has issued separately stated financial statements. Additional information regarding the Authority may be obtained from their administrative office as follows: Pecos Housing Authority, PO BOX 904, Pecos, New Mexico, 87552.

B. Government-wide 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 interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of 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.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Village's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position.

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Village facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Under the requirements of GASB Statement No. 34, the Village is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

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.

Fire Protection Fund accounts for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. Authority is NMSA 59-A-53-1.

Law Enforcement accounts for funds received from the state for law enforcement purposes. The fund was created by the authority of state grant provisions NMSA 29-13-4.

Street Fund accounts for funds used to maintain roads for which the Village is responsible. Financing sources include gasoline taxes imposed by Chapter 7, Article 12, NMSA 1978 and distributed to the Village pursuant to 7-1-6.9, NMSA 1978. Funding is also provided by the New Mexico Department of Transportation Cooperative Agreement Grant per 6-21-6, 12 NMSA 1978.

Capital Project WWTP III accounts for the expenditures to construct improvements to the Waste Water Treatment Plant.

The Village reports the following major enterprise funds:

Waste Water accounts for the provision of waste 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 billing, and collection.

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The Water Fund accounts 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 administration, operations, billing, and maintenance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 specifically identified by function and is included in the direct expense of each function.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services for water and waste water. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Deposits and Investments: 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.

State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered 100% collectible. The allowance for doubtful accounts for customer receivables is calculated based on the aging of the customer accounts receivable and the Village's historical experience with these receivables.

Property taxes are levied on November 1st based on the assessed value of property as listed on the previous January 1st and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. State law sets a capitalization threshold of $5,000 for acquisitions of property and equipment (12-10-10 NMSA 1978). Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1980) are included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was included as part of the cost of capital assets under construction.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	10-50
Equipment	3-20

Property, plant, and equipment of the proprietary funds are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	25-50
Equipment	10-50
Infrasructure	50

Inventory and Prepaids: Inventory is reported when purchased goods are not consumed during the current operating cycle and the consumable asset will benefit a future period. At June 30, 2018, inventory related entirely to the operations of the Housing Authority and consisted of $10,145 in housing maintenance supplies not yet put in use. Maintenance inventory is valued using the first-in first-out method.

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2018, along with the applicable PERA and Retiree Health Care (RHCA).

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a recognized consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions: The Government wide financial statements and proprietary type funds report deferred outflows and deferred inflows 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.

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Compensated Absences: The maximum number of annual leave hours which may be accrued is 212 hours. Compensated absence balances have been liquidated with general fund money in prior years. Village employees accrue vacation leave as follows:

Total Years of Service	Annual Accumulation
0-5	96 Hours
6-10	120 Hours
11 or More	144 Hours

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Village. Accumulated unused vacation up to a maximum of 212 hours is payable upon termination from employment. The Village maintains vacation leave as of the employee's hire date anniversary.

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. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets - Net investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "investment in capital assets, net of related debt."

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Fund Balance: During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed – This fund balance amount has spending limitations that are constrained by the government's highest level of decision-making authority.

At June 30, 2018, the Village has presented restricted fund balance on the governmental funds balance sheet in the amount of $284,126 for various Village operations as restricted by enabling legislation in the special revenue funds, debt service, and for capital projects. The details of these fund balance items are located on the governmental funds balance sheet as detailed on pages 16 and 17.

Assigned – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds, and permanent funds.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amount not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Minimum Fund Balance Policy: The Village's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the Village holds cash reserves of 1/12th the General Fund expenditures for the upcoming budget year. The Village has presented restricted fund balance on the governmental funds balance sheet in the amount of $58,206 to meet minimum fund balance requirements for the General Fund.

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

The Village applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, and expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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. Significant estimates in the Village's financial statements consist of depreciation, estimated useful lives of capital assets, the allowance for doubtful accounts of sewer, water, ambulance, solid waste receivables, and net pension liability.

NOTE 2. Stewardship, Compliance and Accountability

Annual budgets of the Village are prepared prior to June 1 and must be approved by resolution of the Village Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Councilors and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. The Village is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Village Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

NOTE 2. Stewardship, Compliance and Accountability (continued)

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018 is presented as part of the budgetary statements.

NOTE 3. Deposits and Investments

State statutes 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. All invested funds of the Village properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collaterization as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury Bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

All of the Village's accounts at an insured depository institution, including time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to $250,000 in aggregate and separate from the $250,000 coverage for public unit demand deposits at the same institution.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978) that require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

At June 30, 2018, $478,187 of the Village's bank balance of $728,187 was exposed to custodial credit risk. $478,187 of the Village's cash deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Village's name, and $0 was uninsured and uncollateralized at June 30, 2018.

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Deposits: Village

	Southwest Capital Bank
Deposits	$ 728,187
Less: FDIC Coverage	(250,000)
Total uninsured public funds	478,187
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	800,000
Uninsured and uncollateralized	-
Collateral requirements (50% of uninsured funds)	$ 239,094
Pledged Collateral	800,000
Over (under) collateralized	$ 560,907

The Carrying Amount of deposits and investments shown above are included in the Village's Statement of Net position as follows:

Cash and cash equivalents - Governmental Activities per Exhibit A-1	$ 361,595
Cash and cash equivalents - Business-type Activities per Exhibit A-1	234,835
Restricted cash and cash equivalents - Business-type Activities per Exhibit A-1	61,917
Total cash and cash equivalents	658,347
Add: outstanding checks	73,223
Less: outstanding deposits	(120)
Less: Petty cash	(100)
Less: cash held at the NMFA	(3,163)
Bank balance of deposits	$ 728,187

NOTE 4. Receivables

Receivables as of June 30, 2018, are as follows:

	Governmental Funds	Proprietary Funds
Gross receipts taxes	$ 57,997	$ -
Other taxes	3,407	-
Gas taxes	9,373	-
Other receivables:		
Customer Receivables, Net	-	45,670
Total Receivables, Net	$ 70,777	$ 45,670

The above governmental receivables are deemed 100% collectible. In accordance with GASB 33, property tax revenues receivables not collected within the period of availability was determined to be immaterial to the financial statements and was not reclassified as deferred inflow of resources in the governmental fund financial statements. All account receivables older than 90 days were immaterial and accordingly the Village did not accrue an allowance for doubtful accounts.

NOTE 5. Interfund Receivables, Payables and Transfers

Net operating transfers were made during the year for supplementing other funding in the normal course of operations, and also for the purposes to retire debt related to the advanced refunding of bonds. These transfers for the Village were as follows:

Transfer Out	Transfer In	Amount
Waste Water	Water	$ 14,513

The composition of interfund balances during the year ended June 30, 2018 is as follows:

Due To	Due Form	Amount
General Fund	Fire	539
General Fund	Law Enforcement	31,923
General Fund	Senior Citizen Center	4,423
Water	Law Enforcement	362
Water	WWTP	20,460
Waste Water	Water	10,386
Waste Water	Street	6,241

NOTE 6. Capital Assets

A summary of capital assets and changes for the Village occurring during the year ended June 30, 2018 follows. Land is not subject to depreciation.

Governmental Activities:	Balance June 30, 2017	Restatement	Balance June 30, 2017 Restated	Additions	CIP Transfers	Balance June 30, 2018
Capital assets not being depreciated:						
Land	$ 84,475	$ -	$ 84,475	$ -	$ -	$ 84,475
Construction in Progress (CIP)	203,854	6,986	210,840	393,893	(21,020)	583,713
Total capital assets, not depreciated	288,329	6,986	295,315	393,893	(21,020)	668,188
Capital assets depreciated:						
Buildings	2,699,304	-	2,699,304	-	-	2,699,304
Equipment	1,396,622	-	1,396,622	-	-	1,396,622
Infrastructure	722,284	-	722,284	-	21,020	743,304
Total capital assets, depreciated	4,818,210	-	4,818,210	-	21,020	4,839,230
Total capital assets	5,106,539					5,507,418
Less accumulated depreciation:						
Buildings	675,204	-	-	59,295	-	734,499
Equipment	842,355	-	-	57,359	-	899,714
Infrastructure	92,920	-	-	17,415	-	110,335
Total accumulated depreciation	1,610,479	-	-	134,069	-	1,744,548
Capital Assets, Net	$ 3,496,060					$ 3,762,870

There were no deletions of capital assets in the fiscal year 2018. Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

General Government	$ 117,834
Public Safety	5,546
Public Works	8,185
Health and welfare	2,504
Total depreciation expense, governmental activities	$ 134,069

NOTE 6. Capital Assets (continued)

Business-type activities:	**Balance June 30, 2017**	**Additions**	**CIP Transfers**	**Balance June 30, 2018**
Capital assets not depreciated:				
Construction in progress	$ 884,532	$ -	$ (745,471)	$ 139,061
Land and Water Rights	249,884	-	-	249,884
Total capital assets not depreciated	1,134,416	-	(745,471)	388,945
Capital asset depreciated:				
Buildings	7,064,062	-	-	7,064,062
Equipment	520,437	-	-	520,437
Infrastructure	1,224,427	1,075	745,471	1,970,973
Total capital assets, depreciated	8,808,926	1,075	745,471	9,555,472
Less accumulated depreciation:				
Buildings	1,585,132	147,262	-	1,732,394
Equipment	362,273	19,881	-	382,154
Infrastructure	281,893	49,274	-	331,167
Total accumulated depreciation	2,229,298	216,417	-	2,445,715
Capital Assets, Net	$ 7,714,044			$ 7,498,702

NOTE 7. Long-term Debt

During the year ended June 30, 2018 the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position:

Governmental Funds	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Notes Payable	$ 50,378	$ -	$ 10,027	$ 40,351	$ 10,027
Compensated Absences	11,755	9,319	11,983	9,091	9,091
Total Long Term Debt	$ 62,133	$ 9,319	$ 22,010	$ 49,442	$ 19,118

Governmental Activities

Notes Payable: The Village financed the purchase of a fire truck with a note payable to the New Mexico Finance Authority. Terms were: blended interest at .1%. payments of $10,113 annually, maturing May 22. The following is the future requirements for the note:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ 10,027	$ 41	$ 10,068
2020	10,083	30	10,113
2021	10,093	20	10,113
2022	10,148	10	10,158
Total	$ 40,351	$ 10	$ 10,158

NOTE 7. Long-term Debt (continued)

Business-Type Activities

Bonds and notes payables for the Business-Type Activities as of June 30, 2018 are comprised of the following:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Bonds Payable	$ 767,444	-	$ 43,048	$ 724,396	$ 44,250
Notes Payable	10,430	-	2,734	7,696	1,407
Compensated Absences	4,591	5,233	7,069	2,755	2,755
Total Long Term Debt	$ 782,465	$ 5,233	$ 52,851	$ 734,847	$ 48,412

Notes Payable: The Village financed the construction of the water plant and distribution system with notes payable to the New Mexico Environmental Department. Terms were: 3% interest, payments of $1,680 annually in June, maturing June 14, 2024. Future payments at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ 1,407	$ 273	$ 1,680
2020	1,450	231	1,681
2021	1,493	187	1,680
2022	1,538	143	1,681
2023	1,584	96	1,680
2022	224	49	273
Total	$ 7,696	$ 979	$ 8,675

Bonds Payable: The Village issued $450,000 in Water and Sewer System Revenue Bonds, Series 1984. Interest is at 5% and the bonds mature January 1, 2025. The principal balance at June 30, 2018 was $135,000.

The Village issued $35,000 in Water and Sewer System Revenue Bonds, Series 1984A. Interest is at 6.75% and the bonds mature January 1, 2024. The principal balance at June 30, 2017 was $12,296.

On May 21, 2013 the Village entered into a loan/grant agreement with Rural Utilities Service (RUS), US Department of Agriculture to finance the renovation and expansion of the Village's water system. Under the terms of the agreement, the Village issued $330,000 in Water System Revenue Bonds, Series 2013, to RUS at an interest rate of 2.75% with a maturity date of June 1, 2053. The bonds are secured by pledged revenues which consist of those revenues derived from the operation of the Village's water system. Bond funds were advanced by RUS to the Village in response to written pay requests submitted by the Village as costs of water system improvements were incurred. The Village had no draws on the loan during the year and the principal balance at June 30, 2018 was $305,000.

NOTE 7. Long-term Debt (continued)

Business-Type Activities (continued)

On June 27, 2014 the Village entered into a loan agreement with New Mexico Finance Authority to finance the renovation of the Village's water meters. Under the terms of the agreement, the maximum principal amount of $463,000 was issued at an interest rate of 2% with a maturity date of May 1, 2033. The loan is secured by pledged revenues which consist of those revenues derived from the operation of the Village's water system. The Village had no draws on the loan during the year and the principal balance at June 30, 2018 was $272,100.

The annual requirements to amortize the bonds and loans as of June 30, 2018 including interest payments are follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ 44,249	$ 21,208	$ 65,457
2020	45,823	19,564	65,387
2021	47,407	17,852	65,259
2022	49,002	16,072	65,074
2023	50,708	14,223	64,931
2024-2028	147,407	51,921	199,328
2029-2033	131,543	36,391	167,934
2034-2038	42,104	25,855	67,959
2039-2043	48,303	19,656	67,959
2044-2048	55,414	12,545	67,959
2049-2053	62436	4391	66,827
	$ 724,396	$ 239,678	$ 964,074

Bond agreements contain various reserve requirements which totaled $44,250 at June 30, 2018. The reserve requirements have been met by the Village via investments in CDs totaling $49,403 included in restricted cash and equivalents in the business-type balance sheet.

NOTE 8. Landfill Closure Costs

The Village acquired a landfill in the year ending June 30, 2003. The Village's landfill has been classified as a small landfill. As a result, the Village is not required to provide financial assurance for closure and post closure costs. Accordingly, no liability has been accrued for closure or post closure costs.

NOTE 9. Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Village participates in the New Mexico Self-Insurer's Fund risk pool.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2018, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

NOTE 10. Pension Plan- Public Employees Retirement Association

General Information about the Pension Plan

Plan description:

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

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at: http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Associati on_2017.pdf.

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Contributions

The contribution requirements of defined benefit plan members 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 at: http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2017.pdf.

The PERA coverage options that apply to the Village are: Municipal General, Statutorily required contributions to the pension plan from the Village were $28,237 and Village paid no employee contributions for Year end 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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2017 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.

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Contributions: PERA contribution rates and pension factors as of July 1, 2017 are as follows**:**

PERA Contribution Rates and Pension Factors as of July 1, 2017						
	Employee Contribution		Employer Contribution Percentage	Pension Factor per		Pension Maximum as a Percentage of the Final Average Salary
Coverage Plan	Annual Salary less than $20,000	Annual Salary greater than $20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

For PERA Fund Division Municipal General, at June 30, 2018, the Village reported a liability of $454,822 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was .0331% percent, which was changed slightly from its proportion measured as of June 30, 2017, which was .0324%.

For the year ended June 30, 2018, the Village recognized PERA Fund Division Municipal General pension expense of $36,746. At June 30, 2018, the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 17,872	$ 23,295
Changes of assumptions	20,974	4,700
Net difference between projected and actual earnings on pension plan investments	37,315	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	22,442	-
Village's contributions subsequent to the measurement date	28,237	-
Total	126,840	27,995

$28,237 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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	Amount
2019	$ 24,492
2020	48,605
2021	8,416
2022	(10,905)
Thereafter	-
Total	$ 70,608

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

For PERA Fund Division Municipal Fire, at June 30, 2018, the Village reported a liability of $42,911 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was .0075 percent, which was slightly changed from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Village recognized PERA Fund Division Municipal Fire pension expense of $3,467. At June 30, 2018, the City reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Year Ended	Amount
2019	$ 75,018
2020	75,018
2021	116,875
2022	43,652
Thereafter	-
Total	$ 310,563

Actuarial Assumptions: The total pension liability at June 30, 2018 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	4 year smoothed market value
Actuarial assumptions:	Fair value
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75-3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25%-2.75% annual rate
Mortality assumption	RP-2000 Mortality Tables
Experience study dates	July 1. 2010 through June 30, 2016

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

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	43.5%	7.39%
Risk Reduction	21.5%	1.79%
Credit Oriented	15.0%	5.77%
Real Assets	20.0%	4.15%
Total	100%	

Discount rate

The discount rate used to measure the total pension liability was 7.51 percent. The projection of cash flows used to demine 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 percent 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.

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village's net pension liability in each PERA Fund Division that the Village participates in, 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.

PERA Fund Division Municipal Government	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Village's proportionate share of the net pension liability	$ 712,856	$ 454,822	$ 240,230

PERA Fund Division Municipal Fire	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Village's proportionate share of the net pension liability	$ 57,512	$ 42,911	$ 30,879

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2017 restated PERA financial report. The report is available at http://www.pera.state.nm.us/publications.html.

Payables to the pension plan. There were no amounts owed to PERA at June 30, 2018. Contractually required contributions are remitted to PERA monthly for the previous month's withholdings. Accrued payroll includes the employer's portion of retirement contributions related to employee services rendered as of June 30, 2018 but paid in July 2019.

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description: Employees of the Village are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits Provided: The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy: The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Contributions

Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Village were $5,600 for the year ending June 30, 2018.

At June 30, 2018, the Village reported a liability of $310,420 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Village's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2018, the Village's proportion was 0.069% percent.

For the year ended June 30, 2018, the Village recognized OPEB expense of $861. At June 30, 2018 the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 11,912
Changes of assumptions	-	54,273
Net difference between projected and actual earnings on OPEB plan investments	-	4,466
Village's contributions subsequent to the measurement date	11,482	-
Total	$ 11,482	$ 70,651

Deferred outflows of resources totaling $11,482 represent the Village's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended	Amount
2019	$ (15,021)
2020	(15,021)
2021	(15,021)
2022	(15,021)
Thereafter	(10,567)
Total	$ (70,651)

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.5% for ERB
Projected payroll increase	3.50%
Investment rate of return	margin for adverse deviation including inflation
Health care cost trend	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized are as follows:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Core Fixed Income	20.0%	4.10%
US Equity-Large Cap	20.0%	9.10%
Non US Emerging	15.0%	12.20%
NON US Developed	12.0%	9.80%
Private Equity	10.0%	13.80%
Credit and Structured	21.5%	1.79%
Real Estate	5.0%	6.90%
Absolute Return	5.0%	6.10%
Real Assets	3.0%	9.10%
Total	100%	

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the Village, as well as what the Village's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

RHC Fund Division Municipal Government	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
Village's proportionate share of the net OPEB liability	$ 374,534	$ 310,420	$ 258,537

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the NMRHCA's audited financial statements for the year ended June 30, 2017.

NOTE 12. Federal and State Grants

In the normal course of operations, the Village receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 13. Rentals Under Operating Leases

The Village leases office space to a third party under an operating lease with a term of five years ending on December 31, 2016 after which the lease became a month to month rental. Rent under the lease is $200 per month. The leased building is included on the capital asset listing with a cost of $18,391 and associated accumulated depreciation of $18,391 at June 30, 2018.

NOTE 14. Leases

Future lease obligations for the Village were zero at June 30, 2018.

NOTE 15. Concentrations

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 16. Subsequent Events

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 6, 2018, which is the date on which the financial statements were available to be issued.

NOTE 17. Deficit Fund Balance

The Village had the following deficit fund balance at June 30, 2018:

Fund	Amount
Senior Citizen Center	$ (4,432)
Capital Projects WWTP III	$ (7,900)

NOTE 18. GASB 77 Disclosures (Tax Abatements)

Management of the Village is not aware of any tax abatement agreements that existed as of June 30, 2018.

NOTE 19. Restatements

The Village recorded a restatement to net position to prior year's government wide financial statements related to the implementation of GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The total restatement for governmental funds and business type funds was $(247,048) and $(121,680) respectively. The Village also reported restatements to capital assets in governmental funds for $6,986 related to construction in progress and restatements in the Water Fund of $3,081 for cash held at the NMFA.

NOTE 20. Joint Powers

NM State Police

Participants:	New Mexico State Police Village of Pecos
Responsible Party:	Village of Pecos
Description:	Provide Law enforcement and police protection within the Pecos Village limits.
Period:	7/14/2000 No End Date
Village Contribution:	The Village must provide office space for the NMSP. The Village was also required to provide a four-wheel drive Jeep Grand Cherokee. There were no monitory contributions made by the Village in fiscal year 2018.
Audit Responsibility:	Village of Pecos

Wildland Fire Suppression

Participants:	New Mexico Energy/EMNRD Village of Pecos
Responsible Party:	New Mexico Energy, Minerals and Natural Resource Department (EMNRD)
Description:	The Village and EMNRD coordinate to commit to mutual wildland fire management
Period:	12/27/2007 no end date
Fiscal Agent:	EMNRD
Village Contribution:	The Village will be reimbursed at established rates for providing firefighting resources as requested by EMNRD outside the Villages Municipal Limits.
Audit Responsibility:	EMNRD

NOTE 20. Joint Power Agreements (continued)

Animal Control

Participants:	San Miguel County and the Village of Pecos
Responsible Party:	Village of San Miguel County
Description:	San Miguel provides animal control services to the Village of Pecos
Period:	7/12/2012 no end date
Village Contribution:	The Village will pay the County $75 for each separate service provided by the County. The Village is also required to pay any expense incurred by the county in providing shelter or other required services for the animals. Total Cost in fiscal year 2018 are undetermined.
Audit Responsibility:	Village of Pecos

Senior Center Operations

Participants:	City of Las Vegas and Village of Pecos
Responsible Party:	Village of Pecos
Description:	The Village provides space to the City of Las Vegas to operate a Senior Center
Period:	7/1/2016 renewed annually
Village Contribution:	The Village is responsible for overall maintenance and upkeep of the facility, building, and area, including capital improvements.
Audit Responsibility:	Village of Pecos

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule I

Village of Pecos

Schedule of the Village's Proportionate Share of the Net Pension Liability of PERA Fund – Municipal General

Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL GENERAL FUND

	2018	2017	2016	2015
Village's proportion of the net pension liability (asset)	0.0331%	0.0324%	0.0302%	0.0330%
Village's proportionate share of the net pension liability (asset)	$ 454,822	$ 517,643	$ 307,915	$ 223,891
Village's covered-employee payroll	$ 295,805	$ 306,513	$ 291,351	$ 258,565
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	153.76%	168.88%	105.69%	86.59%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is 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 Pecos
Schedule of the Village's Proportionate Share of the Net Pension Liability of PERA Fund – Municipal Fire
Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL FIRE FUND

	2018	2017	2016	2015
Village's proportion of the net pension liability (asset)	0.0075%	0.0072%	0.0069%	0.0099%
Village's proportionate share of the net pension liability (asset)	$ 42,911	$ 48,031	$ 35,612	$ 41,323
Village's covered-employee payroll	$ 8,785	$ 8,400	$ 8,489	$ 8,668
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	488.46%	571.80%	419.51%	476.73%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is 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
Schedule II

Village of Pecos
Schedules of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA - Municipal General
Last 10 Years*

MUNICIPAL GENERAL FUND

	2018	2017	2016	2015
Contractually required contribution	$ 28,237	$ 29,272	$ 27,824	$ 24,693
Contributions in relation to the contractually required contribution	$ 28,237	$ 29,272	$ 27,824	$ 24,693
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Village's covered-employee payroll	$ 295,805	$ 306,513	$ 291,351	$ 258,565
Contributions as a percentage of covered-employee payroll	9.55%	9.55%	9.55%	9.55%

*The amounts presented were determined as of June 30. This schedule is 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 Pecos
Schedules of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA - Municipal Fire
Last 10 Years*

Schedule II

MUNICIPAL FIRE FUND

	2018	2017	2016	2015
Contractually required contribution	$ 1,911	$ 1,819	$ 1,804	$ 1,842
Contributions in relation to the contractually required contribution	$ 1,911	$ 1,819	$ 1,804	$ 1,842
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Village's covered-employee payroll	$ 8,785	$ 8,400	$ 8,489	$ 8,668
Contributions as a percentage of covered-employee payroll	21.75%	21.65%	21.25%	21.25%

*The amounts presented were determined as of June 30. This schedule is 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 Pecos
Schedules of Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Retiree Health Care Last 10 Fiscal Years*

VILLAGE IN SUMMATION

		2018
Village's proportion of the net OPEB liability (asset)		0.069%
Villages proportionate share of the net OPEB liability (asset)	$	310,420
Village's covered-employee payroll	$	277,908
Village's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll		105.06%

*The amounts presented were determined as of June 30. This schedule is 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.

Schedule IV

STATE OF NEW MEXICO
Village of Pecos
Schedules of Contributions
Retirement Healthcare
Last 10 Fiscal Years*

VILLAGE IN SUMMATION

		2018
Contractually required contribution	$	5,600
Contributions in relation to the contractually required contribution	$	5,600

*The amounts presented were determined as of June 30. This schedule is 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.

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SUPPLEMENTARY INFORMATION

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SPECIAL REVENUE FUNDS

Environmental Tax Fund – To account for the revenue received from the State through gross receipts and subsequently given to the County Regional Landfill in accordance with a joint powers agreement. Authority is by the joint powers agreement.

Emergency Medical Services – To account for state and county proceeds provided for operations of the Village's emergency medical services. Authority – NMSA 24-10A.

Senior Citizen's – to account for funds used for the Senior Citizen Center-Pecos Senior Center, San Miguel County. Authority is through laws established 2002, chapter 54, agreement 2013-1189, New Mexico Aging and Long Term Services Department.

STATE OF NEW MEXICO
Village of Pecos
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue			
	Enviornmental GRT	**Emergency Medical Services**	**Senior Citizen Center**	**Total Nonmajor Governmental Funds**
Assets				
Cash and cash equivalents	$ 22,620	$ 5,665	$ -	$ 28,285
Gross receipt taxes receivable	1,332	-	-	1,332
Total assets	$ 23,952	$ 5,665	$ -	29,617
Liabilities and fund balance				
Liabilities				
Due to other funds	$ -	$ -	$ 4,432	$ 4,432
Total liabilities	-	-	4,432	4,432
Fund balance				
Spendable:				
Restricted for:				
Public safety	-	5,665	-	5,665
Health and welfare	23,952	-	(4,432)	19,520
Total fund balance	23,952	5,665	(4,432)	25,185
Total liabilities and fund balance	$ 23,952	$ 5,665	$ -	29,617

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Pecos
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue			
	Enviornmental GRT	Emergency Medical Services	Senior Citizen Center	Total Nonmajor Governmental Funds
Revenues				
Gross receipt taxes	$ 7,972	$ -	$ -	$ 7,972
Total revenue	7,972	-	-	7,972
Expenditures				
Current:				
Health and welfare	6,920	-	7,923	14,843
Total expenditures	6,920	-	7,923	14,843
Excess (deficiency) of revenues over expenditures	1,052	-	(7,923)	(6,871)
Net change in fund balance	1,052	-	(7,923)	(6,871)
Fund balance - beginning of year	22,900	5,665	3,491	32,056
Fund balance - end of year	$ 23,952	$ 5,665	$ (4,432)	$ 25,185

See Independent Auditors' Report and Notes to Financial Statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Village of Pecos
Schedule of Deposits and Investments
June 30, 2018

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Southwest Capital Bank					
Operating	Checking	263,837	$ 120	$ (56,670)	$ 207,287
Payroll	Checking	41,345	-	(2,489)	38,856
Fire Department	Checking	178,858	-	(2,956)	175,902
Sewer & Water	Checking	183,685	-	(9,398)	174,287
Water Deposit	Checking	9,456	-	(107)	9,349
Cirtificate of Deposit	CD	49,403	-	-	49,403
NMFA Cash	State held	3,163	-	-	3,163
Total Southwest Capital Bank		729,747	120	(71,620)	658,247
Other cash accounts					
Motor Vehicle	Checking	1,603	-	(1,603)	-
Petty cash		100	-	-	100
		1,703	-	(1,603)	100
		$ 731,450	$ 120	$ (73,223)	$ 658,347

Cash and cash equivalents - Exhibit A-1	596,430
Restricted cash and cash equivalents - Exhibit A-1	61,917
Reconciled deposits and investments	$ 658,347

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Pecos
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2018

Name of Depository	Security	Maturity Date	CUSIP	Fair Market Value
Southwest Capital Bank	Line of Credit	8/1/2019	NA	$ 800,000
Total pledged collaterial				$ 800,000

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Pecos
Agency Funds
Schedule of Changes in Assets and Liabilities
June 30, 2018

	Beginning Blanace	Additions	Deductions	Ending Balance
Motor Vehicle Fund				
Assets				
Cash	170	129,639	129,809	-
Total Assets	170	129,639	129,809	-
Liabilities				
Due to other entities	170	129,639	129,809	-
Total Liabilities	170	129,639	129,809	-

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Pecos
(A Component Unit of the Village of Pecos)
Financial Data Schedule
June 30, 2018

Line Item #	Description	Low Rent Public Housing	Capital Funds Program	Total
111	Cash - unrestricted	$ 98,604	$ -	$ 98,604
113	Cash - other restricted	-	-	-
114	Cash - tenant security deposits	8,250	-	8,250
	Total Cash	106,854	$ -	106,854
	Accounts Receivable - HUD Other			
126	Accounts receivable - tenants - dwelling rents	2,872	-	2,872
126.1	Allowance for doubtful accounts - dwelling rents	-	-	-
	Total Receivables	2,872	-	2,872
143	Inventories	10,145	-	10,145
143.1	Allowance for obsolete inventories	-	-	-
	Total Other Current Assets	10,145	-	10,145
	Total Current Assets	119,871	-	119,871
142.1	Defrred outflows	-	-	-
161	Land	14,400	-	14,400
162	Buildings	1,257,142	-	1,257,142
163	Furniture equipment and machinery - dwellings	60,445	-	60,445
164	Furniture equipment and machinery - administration	67,284	-	67,284
165	Leasehold Improvements	228,089	-	228,089
166	Accumulated depreciation	(1,174,642)	-	(1,174,642)
167	Construction in progress	-	-	-
168	Vehicles	-	-	-
	Total Fixed Assets	452,718	-	452,718
	Total Assets and deferred outflows of resources	$ 572,589	$ -	$ 572,589

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Pecos
(A Component Unit of the Village of Pecos)
Financial Data Schedule
June 30, 2018

Line Item #	Description	Low Rent Public Housing	Capital Funds Program	Total
312	Accounts payable <=90 Days	2,294	-	2,294
321	Accrued payroll	3,645	-	3,645
341	Tenant security deposits	8,250	-	8,250
310	**Total Current Liabilities**	14,189	-	14,189
349	Interprogram	-	-	-
350	Pension (GASB 68)	-	-	-
353	Long Term Debt	-	-	-
354	Compensated absences - noncurrent portion	1,151	-	1,151
	Total Noncurrent Liabilities	1,151	-	1,151
	Total Liabilities	15,340	-	15,340
508.1	Net investment in capital assets	452,718	-	452,718
511	Restricted Net Position			
512.1	Unrestricted net position	104,531	-	104,531
513	**Total Equity/Net Position**	557,249	-	557,249
	Total Liabilities and Equity/Net Position	572,589	-	572,589

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Pecos
(A Component Unit of the Village of Pecos)
Financial Data Schedule
June 30, 2018

Line Item #	Description	Low Rent Public Housing	Capital Funds Program	Total
70300	Net tenant rental revenue	$ 109,438	$ -	$ 109,438
70400	Tenant revenue - other	2,774	-	2,774
70500	**Total Tenant Revenue**	112,212	-	112,212
70600	HUD PHA operating grants	81,933	-	81,933
70610	Capital Grants	-	33,004	33,004
70800	Other Governmental Grants	-	-	-
71100	Investment income - unrestricted	88	-	88
71500	Other Revenue	1,375	-	1,375
70000	**Total Other Revenue**	83,396	33,004	116,400
91100	Administrative salaries	41,906	-	41,906
91200	Auditing fees	5,644	5,644	11,288
91310	Bookeeping Fee	3,617	1,300	4,917
91600	Employee benefits	4,930	-	4,930
91700	Office exepense	6,443	900	7,343
91800	Travel	627	800	1,427
91900	Other operating - administrative	-	-	-
	Total Operating - Administrative	63,167	8,644	71,811
93100	Water	10,890	-	10,890
93200	Electric	2,773	-	2,773
93300	Gas	13,105	-	13,105
93600	Sewer	6,098	-	6,098
93800	Other	-	-	-
93000	**Total Utilities**	$ 32,866	$ -	$ 32,866

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Pecos
(A Component Unit of the Village of Pecos)
Financial Data Schedule
June 30, 2018

Line Item #	Description	Low Rent Public Housing	Capital Funds Program	Total
94100	Ordinary maintenance and operation - labor	$ 18,856	$ -	$ 18,856
94200	Ordinary maintenance and operation - materials	17,933	7,543	25,476
94300	Ordinary maintenance and operation - contracts	20,620	-	20,620
94500	Employee benefits - administrative	2,038	-	2,038
94000	**Total Maintenance**	59,447	7,543	66,990
96110	Property insurance	4,916	-	4,916
96120	Liability insurance	1,709	-	1,709
96130	Workman's compensation	1,933	-	1,933
96140	All other insurance	1,903	-	1,903
96100	**Total Insurance Premiums**	10,461	-	10,461
96210	Compensated absences	-	-	-
96300	Other	-	-	-
96400	Bad debt tenant rents	-	-	-
96000	**Total Other General**	-	-	-
	Total Operating Expenses	165,941	16,187	182,128
	Excess of Operating Revenues over Operating Expenses	$ 29,667	$ 16,817	$ 46,484
97400	Depreciation expense	26,162	-	26,162
	Total Other Expenses	26,162	-	26,162
10010	Operating transfers In	10,325	-	10,325
10020	Operating transfers out	-	(10,325)	(10,325)
10092	Equity transfer	-	-	-
10100	**Total Other Financing Sources (Uses)**	10,325	(10,325)	-
	Excess of Revenue over Expenses	13,830	6,492	20,322

STATE OF NEW MEXICO
Village of Pecos
(A Component Unit of the Village of Pecos)
Financial Data Schedule
June 30, 2018

Line Item #	Description	Low Rent Public Housing	Capital Funds Program	Total
11030	Beginning Equity	$ 536,927	$ -	$ 536,927
11040	Restatements	6,492	(6,492)	-
	Ending Equity	$ 557,249	$ -	$ 557,249
11190	Unit months available	372	-	372
11210	Number of unit months leased	367	-	367
11620	Building purchases	-	-	-
11270	Excess Cash	90,515	-	90,515
11650	Leasehold purchases	-	6,492	6,492

See Independent Auditors' Report

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COMPLIANCE SECTION

SAS CPA

Auditors~Consultants~CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and
To the Honorable Mayor and Village Trustees
Village of Pecos
Pecos, 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, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the Village of Pecos, New Mexico (the Village), 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 and have issued our report thereon dated December 6, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (FSHA 2018-001, FSHA 2018-002 and FSHA 2018-003).

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items (FSHA 2018-004 and FSHA 2017-002).

The Village's Response to Findings

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
December 6, 2018

STATE OF NEW MEXICO
Village of Pecos
Schedule of Findings and Responses
June 30, 2018

SECTION II – SUMMARY OF AUDIT RESULTS

Financial Statements:

1. **Type of auditors' report issued:**

Village of Pecos	**Unmodified**
Pecos Housing Authority	**Unmodified**

2. **Internal control over financial reporting:**

a. Material weakness identified?	**No**
b. Significant deficiencies identified?	**Yes**
c. Noncompliance material to the financial statements?	**No**

SECTION II – PRIOR YEAR AUDIT FINDINGS-Village

Village of Pecos

None

Housing Authority

2017-001 Form 1099 Noncompliance	Resolved
2017-002 Controls over Revenues	Repeated
2017-003 Expenditures in Excess of Budget	Resolved

SECTION III – Findings and Responses Financial Statement Audit

NONE

SECTION IV – FINDINGS AND RESPONSES, HOUSING AUTHORITY A COMPONENT UNIT OF THE VILLAGE OF PECOS

2018-001 Deposit of Public Funds – Significant Deficiency

Statement of Condition – As part of our audit, we documented internal controls over cash receipts. It was noted during inspection of deposits that cash receipts (cash, checks and money orders) are not deposited within the time limits established by the Housing Authority. During this fiscal year, the Housing Authority made, on average, 3 deposits per month while the average individual number of receipting days was 5 per month. Of the 40 receipts chosen, 15 receipts tested were made with checks or money orders. We were able to trace those receipts directly to the deposit and then to the general ledger. Of these 15 receipts, eight violated the given policy but were deposited within 5 business days ($2,001.00). Of the remaining receipts tested (cash receipts), we were unable to trace the receipt to a specific deposit ($5,761.89). A comparison of total receipts per month to total deposits per month indicated that all receipts received in a given month were deposited in that same month. However, a month by month comparison of date of last receipt to date of last deposit yielded six months of non-compliance with two specific instances of cash deposited beyond five business days ($348.00).

Criteria – Effective November 18, 2013, the Housing Authority established a deposit policy whereby deposits are required to be made on Monday, Wednesday and Friday as needed to meet public money requirements.

Cause – Oversight.

Effect – The Housing Authority is not in compliance with state statute and Housing Authority policy over depositing of public monies.

Recommendation – Housing Authority administration should make deposits per their established deposit policy of Monday, Wednesday and Friday as needed to meet public money requirements.

Management's Response – Effective immediately, the Executive Director will ensure that deposits are made per the established policy of Monday, Wednesday, and Friday, when funds have been received.

<u>2018-002 Internal Controls over Disbursements</u> – Significant Deficiency

Statement of Condition – During our review of the internal controls related to the cash disbursements system and our testing of the cash disbursement transactions, we discovered the following deviations:

- Of the forty disbursements tested, there were seven occasions where gross receipts tax was paid on materials.

- As part of his job description, the Executive Director prepares all disbursements for the Authority. The ED is an authorized check signer for all checking accounts held for the Authority. Per Housing Authority policy, the ED may be the only signer on disbursements less than $1,500.00. On one disbursement for $1,697.00, the ED was the only signer.

- Of the forty disbursements tested, one disbursement did not have any backup documentation. This disbursement was to the US Post Office.

- Of the forty disbursements tested, one check was written for cash in the amount of $1,200.00

Criteria –- Internal controls are established to safeguard the assets of the Housing Authority from unauthorized use. An internal control procedure established by the Board requires two authorized signatures on each check where the amount exceeds $1,500. When checks are presented to the authorized check signers, the supporting documentation such as invoices for the goods or services are attached to the payment voucher. The use of two authorized check signers on all disbursements allows two individuals the opportunity to review the supporting documentation to determine valid and accurate Authority payables.

Effect – When the Executive Director prepares all the documentation for payment and is allowed to be the only signer on the check, the control established is defeated. Allowing only one individual to prepare, review, and sign all disbursements, increases the opportunity to have fictitious vendors receiving payment or simple errors to be made. Without the proper segregation of duties established, there is ample opportunity for error or fraud.

Cause – The Board of Directors has approved a policy allowing only one signature on all checks less than $1,500.00.

Recommendation – We recommend the Board of Directors amend the check signature policy. We recommend the Board of Directors review and determine if all checks should be reviewed and signed by two individuals. Additionally, we recommend that part of that review should include a review of the NM gross receipts tax requirements for government entities on payment of gross receipts tax on materials.

Management Response – The Executive Director will review state policy on payment of gross receipts tax and provide vendors with information on exempt status and no longer pay GRT on materials effective immediately. Additionally, the Executive Director has received approval to add the Village of Pecos Treasurer to the list of approved check signers. Lastly, the Executive Director has retained a qualified information technology contractor for future IT issues and will ensure that all disbursements will have appropriate back-up.

2018-003 Payroll Disbursement and Related Policies – Significant Deficiency

Condition – As part of our audit, we tested internal controls over eight payroll disbursements. In our review, we noted that for one pay cycle, the employees were paid with two checks. The second check was initiated when it was found that the initial check was incorrect. Additionally, of the eight payroll disbursements, three were made to the Executive Director. Of these three checks, only one had two signatures. The other two disbursements to the Executive Director were signed only by the Executive Director.

Criteria – Internal controls are established to safeguard the assets of the Authority from unauthorized use. An internal control procedure established by the Board requires two authorized signatures on each check where the amount exceeds $1,500. When checks are presented to the authorized check signers, the supporting documents, such as timesheets, are attached to the payment voucher. The use of two authorized check signers on all disbursements, including payroll, allows two individuals the opportunity to review the supporting documentation to determine valid and accurate payroll disbursements.

Effect – When the Executive Director prepares all documentation for payroll payment and is allowed to be the only signer on the check, the control established is defeated. Allowing only one individual to prepare, review and sign all payroll disbursements increases the opportunity for fraud or simple errors to occur. Without the proper segregation of duties established, there is ample opportunity for mistakes.

Cause – The Board of Directors has approved a policy allowing only one signature on all checks less than $1,500.

Recommendation – We recommend the Board of Directors amend the check signature policy. We recommend the Board of Directors review and determine if all checks should be reviewed and signed by two individuals, especially when the payment is made to the Executive Director.

Management Response – Starting immediately the Executive Director and the Fee Accountant will work together to ensure that the Fee Accountant has sufficient time to prepare the payroll information by the date of the payroll, eliminating the need for corrected checks.

2018-004 Compliance with I-9 requirements – Other Non-Compliance

Condition – As part of our audit, we tested internal controls over eight payroll disbursements. We determined that one of the three employees tested did not have a completed I-9 in the personnel file.

Criteria – The I-9 form, Employment Eligibility Verification Form, is used to verify the identity and legal authorization to work of all paid employees in the United States. Every employee hired after November 6, 1986 must complete an I-9 Form at the time of hire. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the U.S.

Effect – The Housing Authority is not in compliance with the Immigration Reform and Control Act of 1986.

Cause – Oversight. A blank form is in the file for the employee; however, it is incomplete.

Recommendation – The Housing Authority should require the employee to complete Section 1 of the form immediately. The Housing Authority should then complete Section 2 and sign.

Management Response – The Executive Director has completed the I-9 form that was incomplete and will comply with time requirements for all future new employees.

2017-002 Controls Over Revenue – Other Non-compliance

Statement of Condition – The Housing Authority has the following deficiencies over revenues:

- One tenant tested did not report all sources of income. (The same tenant had the same issue in the prior fiscal.)

Progress from prior year – Income thresholds and program rents were updated and therefore this portion of prior year finding was not repeated.

Criteria – HUD regulations require that all sources of income, monetary and nonmonetary be included in the process of determining eligibility for public housing.

Effect – The Housing Authority is not in compliance with HUD regulations for tenant income reporting and program eligibility.

Cause – Oversight. The same tenant had the same issue in the prior fiscal year. The Housing Authority did not monitor income levels for the tenant working for the Housing Authority.

Recommendations – The Housing Authority should establish and implement procedures over the income determination process and the HUD income and program thresholds to ensure program compliance on an annual basis.

Management's Response – The Executive Director has updated the records for the tenant file, including a letter to the tenant and instructions in the tenant file for reference. The Executive Director is responsible for the implementation and will ensure that any tenant that works for the Housing Authority will be in compliance with FY-18 (and future) Income Limits.

STATE OF NEW MEXICO
Village of Pecos
Exit Conference
June 30, 2018

Exit Conference

An exit conference was held on December 6, 2018. In attendance were the following:

Representing the Village of Pecos:

Telesfor Benavidez	Mayor
Angela M Peinado	Village Treasurer
Ramona Quintana	Village Clerk

Representing Southwest Accounting Solutions, LLC:

Robert Peixotto	Managing Member

Auditor Prepared Financial Statements

Southwest Accounting Solutions, LLC assisted the Village in the preparation of the GAAP-based financial statements and notes to the financial statements. The financial statements were prepared using the original books and records provided by the management of the Village. The responsibility for the financial statements remains with the Village.