

VILLAGE OF PECOS, NEW MEXICO  
Financial Statements, Supplementary Information  
and  
Independent Auditors' Report

June 30, 2008

VILLAGE OF PECOS, NEW MEXICO

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**VILLAGE OF PECOS, NEW MEXICO**

**List of Principal Officials**

**June 30, 2008**

**Elected Officials**

Tony Jose Roybal	Mayor
Joe Modesto Benavides	Mayor Pro-tem
Herman Gallegos	Trustee
Florencio Varela	Trustee
James Varela	Trustee

**Administrative Officials**

Ramona Quintana	Village Clerk
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**Public Housing Authority Officials**

Ricardo Valenzuela	Executive Director
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**Independent Auditors' Report**

Mr. Hector H. Balderas, State Auditor and  
Mr. Tony J. Roybal, Mayor and  
The Village Trustees  
Village of Pecos, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the street fund, of the Village of Pecos (Village) as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules, and budgetary comparison statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority, a component unit of the Village, as of June 30, 2008 and for the year then ended, which statements reflect total assets and revenues constituting 28% and 27%, respectively, of the related proprietary fund totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion for June 30, 2008, insofar as it relates to the amounts included for the 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 with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2008, and the respective changes in financial position and cash

Mr. Hector H. Balderas, State Auditor and  
Mr. Tony J. Roybal, Mayor and  
The Village Trustees  
Village of Pecos, New Mexico

flows, where applicable, thereof and the respective budgetary comparisons for the general fund and street fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the nonmajor governmental funds and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2010 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 *Governmental Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

For the year ended June 30, 2008, the Village has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual financial statements and budgetary comparisons of the Village. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Perch & Associates LLC*

Albuquerque, New Mexico  
April 30, 2010

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,099,380	194,131	1,293,511
Cash and cash equivalents - restricted	-	5,107	5,107
Receivables:			
Taxes:			
Gross receipts	76,025	-	76,025
Gasoline	2,256	-	2,256
Motor vehicle	3,787	-	3,787
Property	248	-	248
Franchise	3,312	-	3,312
Cigarette	668	-	668
Grant	97,697	229,304	327,001
Accounts receivable, net of allowance	-	36,953	36,953
Inventory	-	13,000	13,000
Due from other funds	2,043	4,730	6,773
Capital assets, not depreciated	286,464	1,187,184	1,473,648
Capital assets, net of accumulated depreciation	1,441,613	1,234,871	2,676,484
<b>Total assets</b>	<b>3,013,493</b>	<b>2,905,280</b>	<b>5,918,773</b>
<b>LIABILITIES</b>			
Accounts payable	21,208	77,899	99,107
Accrued compensation and benefits	6,427	8,331	14,758
Interest payable	-	10,367	10,367
Prepaid tenant rent	-	452	452
Deposits payable	-	31,540	31,540
Due to other funds	-	4,730	4,730
Noncurrent liabilities:			
Compensated absences, due in one year	5,430	5,943	11,373
Long-term liabilities, due in one year	21,429	31,280	52,709
Long-term liabilities, due in more than one year	107,142	372,311	479,453
<b>Total liabilities</b>	<b>161,636</b>	<b>542,853</b>	<b>704,489</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,599,506	2,019,757	3,619,263
Unrestricted	1,252,351	342,670	1,595,021
<b>Total net assets</b>	<b>\$ 2,851,857</b>	<b>2,362,427</b>	<b>5,214,284</b>

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



**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2008**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Primary Government Business-Type Activities</b>	<b>Total</b>
<b>Primary government</b>							
Governmental activities							
General government	\$ 494,945	9,130	129,277	307,199	(49,339)	-	(49,339)
Public safety	128,888	-	270,290	-	141,402	-	141,402
Highways and streets	7,811	-	-	-	(7,811)	-	(7,811)
Health and welfare	60,114	-	-	-	(60,114)	-	(60,114)
<b>Total governmental activities</b>	<b>691,758</b>	<b>9,130</b>	<b>399,567</b>	<b>307,199</b>	<b>24,138</b>	<b>-</b>	<b>24,138</b>
Business-type activities							
Waste water	82,278	98,276	-	311,667	-	327,665	327,665
Water	307,069	210,198	-	231	-	(96,640)	(96,640)
Housing authority	265,014	99,645	121,973	4,325	-	(39,071)	(39,071)
<b>Total business-type activities</b>	<b>654,361</b>	<b>408,119</b>	<b>121,973</b>	<b>316,223</b>	<b>-</b>	<b>191,954</b>	<b>191,954</b>
<b>Total primary government</b>	<b>\$ 1,346,119</b>	<b>417,249</b>	<b>521,540</b>	<b>623,422</b>	<b>24,138</b>	<b>191,954</b>	<b>216,092</b>
General Revenues							
Franchise taxes					12,909	-	12,909
Gasoline taxes					30,294	-	30,294
Gross receipts taxes					393,542	-	393,542
Property taxes					9,536	-	9,536
Cigarette taxes					3,265	-	3,265
Motor vehicle tax					41,558	-	41,558
Other					4,501	4,057	8,558
Interest					2,105	2,450	4,555
<b>Total general revenues and transfers</b>					<b>497,710</b>	<b>6,507</b>	<b>504,217</b>
<b>Change in net assets</b>					<b>521,848</b>	<b>198,461</b>	<b>720,309</b>
Net assets, beginning of year					2,330,009	2,163,966	4,493,975
<b>Net assets, end of year</b>					<b>\$ 2,851,857</b>	<b>2,362,427</b>	<b>5,214,284</b>

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

**VILLAGE OF PECOS, NEW MEXICO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	General	Street	Building Demolition and Park	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash	\$ 696,748	247,340	22,766	132,526	1,099,380
Receivables:					
Taxes:					
Gross receipts	74,273	-	-	1,752	76,025
Gasoline	-	2,256	-	-	2,256
Motor vehicle	3,787	-	-	-	3,787
Property	248	-	-	-	248
Franchise	3,312	-	-	-	3,312
Cigarette	445	-	-	223	668
Grant	28,289	69,408	-	-	97,697
Due from other funds	60,333	-	-	-	60,333
<b>Total assets</b>	<b>\$ 867,435</b>	<b>319,004</b>	<b>22,766</b>	<b>134,501</b>	<b>1,343,706</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 18,585	-	-	2,623	21,208
Accrued compensation and benefits	6,427	-	-	-	6,427
Due to other funds	-	-	-	58,290	58,290
<b>Total liabilities</b>	<b>25,012</b>	<b>-</b>	<b>-</b>	<b>60,913</b>	<b>85,925</b>
<b>FUND BALANCES</b>					
Unreserved, undesignated reported in:					
General fund	842,423	-	-	-	842,423
Special revenue funds	-	319,004	22,766	73,404	415,174
Capital projects funds	-	-	-	184	184
<b>Total fund balances</b>	<b>842,423</b>	<b>319,004</b>	<b>22,766</b>	<b>73,588</b>	<b>1,257,781</b>
<b>Total liabilities and fund balances</b>	<b>\$ 867,435</b>	<b>319,004</b>	<b>22,766</b>	<b>134,501</b>	<b>1,343,706</b>

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

**VILLAGE OF PECOS, NEW MEXICO**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2008**

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

<b>Total fund balance - governmental funds</b>	\$ 1,257,781
Accrued compensated absences not payable from current revenues.	(5,430)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,728,077
Long-term notes payable are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(128,571)</u>
<b>Net assets - governmental activities</b>	<u><u>\$ 2,851,857</u></u>

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

**VILLAGE OF PECOS, NEW MEXICO  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2008**

	General	Street	Building Demolition and Park	Nonmajor Governmental Funds	Total
<b>Revenues</b>					
Taxes	\$ 428,667	27,915	-	34,522	491,104
From local governments:					
Grants	231,775	69,408	192,836	212,747	706,766
Licenses, permits, fees and fines	4,330	-	-	-	4,330
Interest	1,907	-	-	198	2,105
Rents and royalties	4,800	-	-	-	4,800
Other	4,501	-	-	-	4,501
<b>Total revenues</b>	<u>675,980</u>	<u>97,323</u>	<u>192,836</u>	<u>247,467</u>	<u>1,213,606</u>
<b>Expenditures</b>					
Current					
General government	445,253	-	13,424	-	458,677
Public safety	-	-	-	84,434	84,434
Highways and streets	-	-	-	7,811	7,811
Health and welfare	60,000	-	-	114	60,114
Debt service - principal	21,429	-	-	-	21,429
Capital outlay	151,402	-	156,646	87,522	395,570
<b>Total expenditures</b>	<u>678,084</u>	<u>-</u>	<u>170,070</u>	<u>179,881</u>	<u>1,028,035</u>
<b>Net change in fund balances</b>	(2,104)	97,323	22,766	67,586	185,571
<b>Fund balance, beginning</b>	<u>844,527</u>	<u>221,681</u>	<u>-</u>	<u>6,002</u>	<u>1,072,210</u>
<b>Fund balance, end of year</b>	<u>\$ 842,423</u>	<u>319,004</u>	<u>22,766</u>	<u>73,588</u>	<u>1,257,781</u>

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

**VILLAGE OF PECOS, NEW MEXICO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008**

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

**Net changes in fund balances - governmental funds** **\$ 185,571**

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Depreciation expense	(77,884)	
Capital outlay	<u>395,570</u>	
Excess of capital outlay over depreciation expense		317,686

The issuance of long-term notes payable provides current financial resources to governmental funds, while the repayment of the principal of long-term notes payable consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences. 21,429

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (2,838)

**Change in net assets - governmental activities** **\$ 521,848**

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

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 330,262	330,262	440,367	110,105
From local governments:				
Grants	1,335,718	1,529,000	258,237	(1,270,763)
Licenses, permits, fees and fines	12,027	12,027	4,330	(7,697)
Interest	2,051	2,051	1,907	(144)
Rents and royalties	4,800	4,800	4,800	-
Other	500	500	4,501	4,001
<b>Total revenues</b>	<b>1,685,358</b>	<b>1,878,640</b>	<b>714,142</b>	<b>(1,164,498)</b>
<b>Expenditures</b>				
General government	465,201	465,201	444,789	20,412
Public safety	-	-	-	-
Health and welfare	80,000	80,000	60,000	20,000
Debt service - principal	141,000	141,000	21,429	119,571
Capital outlay	1,353,540	1,421,086	151,402	1,269,684
<b>Total expenditures</b>	<b>2,039,741</b>	<b>2,107,287</b>	<b>677,620</b>	<b>1,429,667</b>
(Deficiency) excess of revenues over expenditures	(354,383)	(228,647)	36,522	265,169
Net change in fund balance	(354,383)	(228,647)	36,522	265,169
Fund balance, beginning of year	844,527	844,527	844,527	-
<b>Fund balance, end of year</b>	<b>\$ 490,144</b>	<b>615,880</b>	<b>881,049</b>	<b>265,169</b>
Non-GAAP change in fund balance			\$ 36,522	
Change in:				
Taxes receivable			(11,700)	
Grants receivable			(26,462)	
Accounts payable			3,325	
Accrued compensation and benefits			(3,789)	
GAAP change in fund balance			<u>\$ (2,104)</u>	

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

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**STREET FUND**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Gasoline taxes	\$ 27,000	27,000	28,436	1,436
From local governments:				
Grants	520,000	520,000	-	(520,000)
<b>Total revenues</b>	<b>547,000</b>	<b>547,000</b>	<b>28,436</b>	<b>(518,564)</b>
Expenditures				
Highways and streets	27,000	27,000	-	27,000
Capital outlay	650,000	650,000	-	650,000
<b>Total expenditures</b>	<b>677,000</b>	<b>677,000</b>	<b>-</b>	<b>650,000</b>
Net change in fund balance	(130,000)	(130,000)	28,436	131,436
Fund balance, beginning of year	221,681	221,681	221,681	-
<b>Fund balance, end of year</b>	<b>\$ 91,681</b>	<b>91,681</b>	<b>250,117</b>	<b>131,436</b>
Non-GAAP change in fund balance			\$ 28,436	
Change in:				
Accounts receivable			(521)	
Grant receivable			69,408	
GAAP change in fund balance			<u>\$ 97,323</u>	

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

**VILLAGE OF PECOS, NEW MEXICO**  
**BALANCE SHEET - PROPRIETARY FUNDS**  
**June 30, 2008**

	Waste Water	Water	Housing Authority	Total
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ -	144,416	49,715	194,131
Cash and cash equivalents - restricted	-	-	5,107	5,107
Accounts receivable, net of allowance	12,611	23,975	367	36,953
Grant receivable	229,304	-	-	229,304
Inventory	-	-	13,000	13,000
Due from other funds	-	4,730	-	4,730
<b>Total current assets</b>	<b>241,915</b>	<b>173,121</b>	<b>68,189</b>	<b>483,225</b>
Capital Assets				
Land	-	11,248	14,400	25,648
Water rights	-	238,636	-	238,636
Construction work in progress	922,900	-	-	922,900
Buildings and improvements	-	701,594	1,346,715	2,048,309
Equipment	49,390	197,073	95,675	342,138
Infrastructure	196,135	337,202	-	533,337
Accumulated depreciation	(86,967)	(882,725)	(719,221)	(1,688,913)
<b>Total capital assets, net of accumulated depreciation</b>	<b>1,081,458</b>	<b>603,028</b>	<b>737,569</b>	<b>2,422,055</b>
<b>Total assets</b>	<b>\$ 1,323,373</b>	<b>776,149</b>	<b>805,758</b>	<b>2,905,280</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable	\$ 64,903	4,282	8,714	77,899
Accrued compensation and benefits	2,829	4,428	1,074	8,331
Interest payable	-	10,367	-	10,367
Prepaid tenant rent	-	-	452	452
Deposits payable	-	26,433	5,107	31,540
Compensated absences	-	5,684	259	5,943
Loans payable - current	-	16,380	-	16,380
Bonds payable - current	-	14,900	-	14,900
Due to other funds	4,730	-	-	4,730
<b>Total current liabilities</b>	<b>72,462</b>	<b>82,474</b>	<b>15,606</b>	<b>170,542</b>
Noncurrent Liabilities				
Compensated absences	-	-	1,293	1,293
Loans payable	-	67,922	-	67,922
Bonds payable	-	303,096	-	303,096
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>371,018</b>	<b>1,293</b>	<b>372,311</b>
<b>Total liabilities</b>	<b>72,462</b>	<b>453,492</b>	<b>16,899</b>	<b>542,853</b>
Net Assets				
Invested in capital assets, net of related debt	1,081,458	200,730	737,569	2,019,757
Unrestricted	169,453	121,927	51,290	342,670
<b>Total net assets</b>	<b>1,250,911</b>	<b>322,657</b>	<b>788,859</b>	<b>2,362,427</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,323,373</b>	<b>776,149</b>	<b>805,758</b>	<b>2,905,280</b>

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



**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2008**

	Waste Water	Water	Housing Authority	Total
Operating Revenues				
Sales, services, and rents	\$ 98,276	210,198	99,645	408,119
Operating Expenses				
Operating expenses	71,056	259,209	220,819	551,084
Depreciation	11,222	28,310	44,195	83,727
<b>Total operating expenses</b>	<b>82,278</b>	<b>287,519</b>	<b>265,014</b>	<b>634,811</b>
Operating Income Loss	15,998	(77,321)	(165,369)	(226,692)
Nonoperating Revenues (Expenses)				
From local governments:				
Grant income	311,667	231	126,298	438,196
Interest income	983	758	709	2,450
Interest expense	-	(19,550)	-	(19,550)
Other income	-	4,057	-	4,057
<b>Total nonoperating revenues</b> <b>(expenses)</b>	<b>312,650</b>	<b>(14,504)</b>	<b>127,007</b>	<b>425,153</b>
Net income (loss)	328,648	(91,825)	(38,362)	198,461
Net assets:				
Beginning of year	922,263	414,482	827,221	2,163,966
Net assets, end of year	\$ 1,250,911	322,657	788,859	2,362,427

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

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2008**

	Waste Water	Water	Housing Authority	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from customers, tenants	\$ 99,113	211,989	100,587	411,689
Cash received from grants for operations	-	-	121,973	121,973
Cash payments to vendors and employees	(104,700)	(262,349)	(224,707)	(591,756)
<b>Net cash used by operating activities</b>	<b>(5,587)</b>	<b>(50,360)</b>	<b>(2,147)</b>	<b>(58,094)</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>				
Change in due to/from account	4,730	(4,730)	-	-
Other income	-	4,057	-	4,057
<b>Net cash provided (used) by noncapital financing activities</b>	<b>4,730</b>	<b>(673)</b>	<b>-</b>	<b>4,057</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchase of capital assets	(310,954)	-	(9,651)	(320,605)
Grant received	179,050	231	4,325	183,606
Principle payment on bonds	-	(13,800)	-	(13,800)
Principle payment on loans	-	(16,049)	-	(16,049)
Interest payment on bonds and loans	-	(19,268)	-	(19,268)
<b>Net cash used by capital and related financing activities</b>	<b>(131,904)</b>	<b>(48,886)</b>	<b>(5,326)</b>	<b>(186,116)</b>
<b>Cash Flows From Investing Activities</b>				
Interest income	983	758	709	2,450
<b>Net cash provided by investing activities</b>	<b>983</b>	<b>758</b>	<b>709</b>	<b>2,450</b>
<b>Net change in cash</b>	<b>(131,778)</b>	<b>(99,161)</b>	<b>(6,764)</b>	<b>(237,703)</b>
Cash and cash equivalents, beginning of year	131,778	243,577	61,586	436,941
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>	<b>144,416</b>	<b>54,822</b>	<b>199,238</b>

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

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS (CONTINUED)**  
**Year Ended June 30, 2008**

	Waste Water	Water	Housing Authority	Total
Operating income (loss)	\$ 15,998	(77,321)	(43,396)	(104,719)
Adjustments to reconcile operating income to net cash flows:				
Depreciation expense	11,222	28,310	44,195	83,727
Changes in assets and liabilities:				
Accounts receivable	837	1,791	(70)	2,558
Prepaid expenses	-	-	4,613	4,613
Inventory	-	-	(13,000)	(13,000)
Accounts payable	(32,610)	(1,303)	3,921	(29,992)
Accrued expenses	392	(1,080)	(1,614)	(2,302)
Compensated absences	-	(757)	1,551	794
Settlement payable	(1,426)	-	-	(1,426)
Deposits payable	-	-	1,682	1,682
Other current liabilities	-	-	(29)	(29)
<b>Net cash provided (used) by     operating activities</b>	<u>\$ (5,587)</u>	<u>(50,360)</u>	<u>(2,147)</u>	<u>(58,094)</u>

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

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**AGENCY FUNDS**  
**June 30, 2008**

**ASSETS**

Cash	\$ 50
<b>Total assets</b>	<u>\$ 50</u>

**LIABILITIES**

Due to other entities	\$ (1,993)
Due to other funds	2,043
<b>Total liabilities</b>	<u>\$ 50</u>

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

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Entity.* 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 financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

**A. Financial Reporting Entity**

As required by GAAP, the financial statements present the Village and entities for which the Village is considered to be financially accountable. The Village reports the Housing Authority of the Village of Pecos as a blended component unit. Copies of the Housing Authority's audit may be obtained from the Village.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principle ongoing operations.

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

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

The Village follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

*Derived tax revenues* are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

*Imposed nonexchange revenues – property taxes* are levied and collected by the San Miguel County treasurer on behalf of the Village. The taxes are levied in November and payable in two installments, November 10<sup>th</sup> and April 10<sup>th</sup>. The County remits to the Village a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 30 days after the date on which they are due.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

*Imposed nonexchange revenues other than property taxes* are recognized in the period when an enforceable legal claim has arisen and the resources are available.

*Government-mandated nonexchange transactions and voluntary nonexchange transactions* are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes, and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Village may report deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has legal claim to the resources, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The Village reports the following major governmental funds:

*General Fund.* The general fund is the Village’s primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

*Street Fund* – a special revenue fund used to account 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.

*Building Demolition and Park* – to account for grant revenue and expenditures related to the demolition of the old Village Hall and construction of a new one and related park.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

Proprietary funds are accounted for using the economic resources measurement focus (all assets and all liabilities associated with the operation of these funds are included on the balance sheet) and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The following proprietary funds are major funds.

*Waste Water.* To account 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.

*Water.* To account for the provisions of water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund. Financing is provided through charges to customers for service.

*Housing Authority.* The Housing Authority is a component unit of the Village. The financial statements of the Housing Authority have been blended into the financial statements of the Village. The Housing Authority has a yearly audit, which may be obtained by written request at 1114 Chamisa Ln., Pecos, NM 87552.

The Village reports the following fund types:

*The General Fund* is the general operating fund of the Village. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important functions of the Village, including the Village's general services and administration, are accounted for in this fund.

*Special Revenue Funds* are used to account for revenues derived from specific sources, which are usually required by law or regulation to be accounted for in separate funds.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those constructed for proprietary funds.



**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

*Agency Funds* are used to account for monies held by the Village in a custodial capacity on behalf of third parties or other agencies.

**B. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits, savings accounts, and certificates of deposit with an original maturity of three months or less from the date of acquisition. Cash deposits are reported at their carrying amount, which reasonably estimates fair value.

The Village does not have an investment policy. Village funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes, and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**C. Capital Assets**

Capital assets, which include software, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Governmental Accounting Standards Board (GASB) 34 *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Village has elected to not retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets in governmental funds are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years

Capital Assets in proprietary funds are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	25 - 50 years
Equipment	10 - 50 years
Infrastructure	5 - 50 years

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**D. Accrued Employee Benefits**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

**E. Fund Equity**

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Fund equity and net assets were reported as follows:

**Unreserved, undesignated** - Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Village.

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**G. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**H. Cash Flows**

For purposes of the Statement of Cash Flows, enterprise funds consider all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

**I. Budgetary Information**

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, and enterprise funds. The Village has not adopted a budget for the EDA Capital Project fund.

The Village follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Administrator submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects fund and enterprise funds.
4. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year-end.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**J. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2. CASH AND CASH EQUIVALENTS**

*Deposits*

*Custodial Credit Risk - Deposits.* Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2008, the Village's bank balance total of \$1,417,801 was exposed to credit risk in the amount of \$1,250,962 as follows:

Uninsured and collateral held by pledging bank's trust department or agent but not in the Village's name	<u>\$ 1,362,536</u>
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The total balance in any single financial institution may at times exceed the \$100,000 in FDIC coverage available to individual depositors. In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Village is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal one-half of the public money in excess of \$100,000 at each financial institution.

The amounts reported as restricted cash and cash equivalents consist of amounts held for customer rent and pet deposits for the Housing Authority.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS**

Accounts receivable in the proprietary funds represent billings for waste water and water fees, and for uncollected rents. It is management’s policy to cut off waste water and water services for non-payment. A lien is placed on the properties which have outstanding water bills. Accounts receivable is comprised of the following at June 30, 2008:

	Waste Water	Water
Accounts receivable	\$ 13,819	26,276
Allowance for uncollectible accounts	<u>(1,208)</u>	<u>(2,301)</u>
	<u>\$ 12,611</u>	<u>23,975</u>

Accounts receivable for the housing authority is \$367 net of an allowance for uncollectible accounts of \$200 at June 30, 2008.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 4. CAPITAL ASSETS**

Governmental fund capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not depreciated:					
Land	\$ 84,475	-	-	-	84,475
Construction in process	92,283	109,706	-	-	201,989
<b>Total, not depreciated</b>	<b>\$ 176,758</b>	<b>109,706</b>	<b>-</b>	<b>-</b>	<b>286,464</b>
Capital assets, depreciated:					
Buildings and improvements	\$ 1,243,531	190,468	-	-	1,433,999
Equipment	525,129	95,396	-	-	620,525
<b>Total, depreciated</b>	<b>1,768,660</b>	<b>285,864</b>	<b>-</b>	<b>-</b>	<b>2,054,524</b>
Accumulated depreciation for:					
Buildings and improvements	310,584	24,590	-	-	335,174
Equipment	224,443	53,294	-	-	277,737
<b>Total accumulated depreciation</b>	<b>535,027</b>	<b>77,884</b>	<b>-</b>	<b>-</b>	<b>612,911</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 1,233,633</b>	<b>207,980</b>	<b>-</b>	<b>-</b>	<b>1,441,613</b>
<b>Total capital assets, net</b>	<b>\$ 1,410,391</b>	<b>317,686</b>	<b>-</b>	<b>-</b>	<b>1,728,077</b>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities

General government	\$ 33,430
Public safety	<u>44,454</u>
<b>Total depreciation expense</b>	<b><u>\$ 77,884</u></b>

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 4. CAPITAL ASSETS (CONTINUED)**

Enterprise fund capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not depreciated:					
Land	\$ 25,648	-	-	-	25,648
Water rights	238,636	-	-	-	238,636
Construction in process	611,947	310,954	-	-	922,901
<b>Total, not depreciated</b>	<b>\$ 876,231</b>	<b>310,954</b>	<b>-</b>	<b>-</b>	<b>1,187,185</b>
Capital assets, depreciated:					
Buildings and improvements	\$ 2,042,983	5,326	-	-	2,048,309
Equipment	337,812	4,325	-	-	342,137
Infrastructure	533,337	-	-	-	533,337
<b>Total, depreciated</b>	<b>2,914,132</b>	<b>9,651</b>	<b>-</b>	<b>-</b>	<b>2,923,783</b>
Accumulated depreciation for:					
Buildings and improvements	1,305,577	40,188	-	-	1,345,765
Equipment	211,982	26,161	-	-	238,143
Infrastructure	87,627	17,377	-	-	105,004
<b>Total accumulated depreciation</b>	<b>1,605,186</b>	<b>83,726</b>	<b>-</b>	<b>-</b>	<b>1,688,912</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 1,308,946</b>	<b>(74,075)</b>	<b>-</b>	<b>-</b>	<b>1,234,871</b>
<b>Total capital assets, net</b>	<b>\$ 2,185,177</b>	<b>236,879</b>	<b>-</b>	<b>-</b>	<b>2,422,056</b>



**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS**

During the year ended June 30, 2008, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 2,592	5,275	(2,437)	<b>5,430</b>	5,430
Notes payable	150,000	-	(21,429)	<b>128,571</b>	21,429
<b>Total</b>	<u>\$ 152,592</u>	<u>5,275</u>	<u>(23,866)</u>	<u><b>134,001</b></u>	<u>26,859</u>

*Accrued Compensated Absences.* Employees accrue either eight or ten hours per pay period depending on if the employee has been with the village less than or more than ten years, respectively. 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 Village Service	Yearly Accumulation
0-5 (inclusive)	96 hours
6-10 (inclusive)	120 hours
11 or more	144 hours

*Notes Payable.* The Village financed \$150,000 in order to hire a consulting firm and an auditing firm to complete the Villages audits from June 30, 2004 to June 30, 2007 with a note payable to the State of New Mexico, State Board of Finance. The following note is outstanding at June 30, 2008:

Consulting and auditing loan for \$150,000, non-interest bearing, payments of \$21,429 annually in June, maturing June 30, 2014	<u>\$ 128,571</u>
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**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 21,429	-	21,429
2010	21,429	-	21,429
2011	21,429	-	21,429
2012	21,429	-	21,429
2013	21,429	-	21,429
2014	21,426	-	21,426
	<u>\$ 128,571</u>	<u>-</u>	<u>128,571</u>

**NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS**

	Beginning Balance	Adjustments and Additions	Deletions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Compensated absences	\$ 6,441	4,729	(5,486)	<b>5,684</b>	5,684
Notes payable	100,351	-	(16,049)	<b>84,302</b>	16,380
Bonds payable	331,796	-	(13,800)	<b>317,996</b>	14,900
<b>Total</b>	<u>\$ 438,588</u>	<u>4,729</u>	<u>(35,335)</u>	<u><b>407,982</b></u>	<u>36,964</u>

*Notes Payable.* The Village financed the construction of the water plant and distribution system with notes payable to the New Mexico Environmental Department. The following notes are outstanding at June 30, 2008:

Water supply construction loan for \$162,111, interest at 2%, payments of \$16,596 annually in January, maturing January 1, 2012	\$ 63,194
Rural Infrastructure loan for \$25,000, interest at 3%, payments of \$1,680 annually in June, maturing June 14, 2024	<u>21,108</u>
Total loans payable	<u>\$ 84,302</u>

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 16,379	1,897	18,276
2010	16,718	1,558	18,276
2011	17,063	1,213	18,276
2012	17,415	861	18,276
2013	1,179	502	1,681
2014 to 2018	6,445	1955	8,400
2019 to 2023	7,472	928	8,400
2024	1,631	49	1,680
	<u>\$ 84,302</u>	<u>8,963</u>	<u>93,265</u>

*Bonds Payable.*

The Village issued \$65,000 in Water and Sewer System Revenue Bonds, Series 1970. Interest is at 5% and the bonds mature January 1, 2010.

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 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 future requirements for bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 14,900	16,337	31,237
2010	17,000	15,576	32,576
2011	15,100	14,037	29,137
2012	16,100	13,330	29,430
2013	16,200	12,586	28,786
2014 to 2018	93,300	50,349	143,649
2019 to 2023	117,000	25,042	142,042
2024 to 2025	28,396	1,364	29,760
	<u>\$ 317,996</u>	<u>148,621</u>	<u>466,617</u>

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 7. INTERFUND BALANCES**

Interfund balances at June 30, 2008 consisted of the following amounts:

Due to general fund from:	
Nonmajor governmental funds	\$ 58,290
Agency fund	<u>2,043</u>
Total due to general fund	<u>\$ 60,333</u>
Due to the waste water fund from:	
Water fund	<u>\$ 4,730</u>

Interfund balances were caused by the General fund covering negative cash balances in other funds.

**NOTE 8. LANDFILL CLOSURE COSTS**

The Village acquired a landfill in the year ending June 30, 2003. The Village's 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. PROPERTY TAXES**

San Miguel County is responsible for assessing, collecting and distributing property taxes for the Village. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by April 10 of the following year. Property taxes are delinquent if not paid by December 10 and May 10. Taxes on real property are liened on January 1 of the year for which the taxes are imposed.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 10. PERA PENSION PLAN**

*Plan Description:* Substantially all of the Village's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan members are required to contribute 13.15% of their gross salary and the Village is required to make a contribution of 9.15%. The Village has elected to pay 75% of the employee's contribution. The contribution requirements of plan members and the Village are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the years ending June 30, 2008, 2007 and 2006 were \$38,351, \$29,506, and \$41,600, respectively.

**NOTE 11. POST-EMPLOYMENT BENEFITS**

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents, with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)**

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retirement Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the time between the employer's effective date and the date of retirement; (2) Retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Fund Contributions: Each participating employer makes contributions to the fund in the amount of 7.675% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to 9.4% of the employee's annual salary. Employer and employee contributions will increase annually through the year 2011. Each participating retiree pays a monthly premium of \$94.08 for the basic single plan and an additional \$5.00 if eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that included post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also included the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd N.E., Suite 104, Albuquerque, New Mexico 87109.

For the fiscal years ended June 30, 2008, 2007, and 2006, the Village remitted \$2,502, \$3,108, and \$3,448, respectively, in employer contributions to the Retiree Health Care Authority.

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 12. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Village participates in the State of New Mexico Self-Insurers Fund for workers' compensation claims and employers' liability insurance including general, auto, uninsured motorist, law enforcement, and public official's errors and omissions liabilities. The policy limits for workers' compensation is unlimited and \$1,050,000 per occurrence for employer's liability. There is no deductible. Liability policy limits range from \$100,000 to \$750,000 per occurrence, with a \$4,000,000 annual aggregate per policy. Deductibles range from \$500 to \$5,000.

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

**NOTE 13. SPECIAL APPROPRIATIONS**

The Authority has received the following special appropriations:

	Original Appropriation	Expended	Appropriation Period
04-L-G-994 Construction of a municipal park at the municipal building	\$ 125,000	125,000	2005 – 2009
05-L-G-364 Construction of a parking lot at the municipal building	100,000	91,508	2006 - 2010
Department Contract No. 2005-078 Construction of a senior center	100,000	100,000	2004 – 2008
Pass Thru Appropriation from the New Mexico Aging and Long-Term Services Department Contract No. 2005-216 Construction of a senior center	556,380	-	2005 – 2009
Pass Thru Appropriation from the New Mexico Aging and Long-Term Services Department Contract No. 2007-2429 Construction of a senior center	495,000	-	2007 – 2010

**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 13. SPECIAL APPROPRIATIONS (CONTINUED)**

SAP-04-0209-STB			
Waste water facility and system improvements	1,000,000	633,220	2004 – 2009
SAP-05-1146-GF			
Waste water facility and system improvements	500,000	-	2007 - 2010
SAP-06-1207-GF			
Waste water facility and system improvements	400,000	60,377	2007 - 2010
SAP-07-L-G-8075			
Updated technology and train staff	25,000	25,000	2007 - 2010
SAP-07-4548-GF			
Purchase water meters	<u>50,000</u>	<u>-</u>	2008 – 2011
Total	<u>\$ 3,351,380</u>	<u>1,035,105</u>	

None of the above appropriations were encumbered at year-end. As of the date of the audit report, \$1,135,220 of the above appropriations was unexpended.

**NOTE 14. CONTINGENCIES**

*Litigation.* The Village is a defendant in a small number of lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

*Grant Compliance.* The Village receives significant financial assistance from the State and U.S. Government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable state and federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of June 30, 2008, management estimates that no material liabilities will result from such audits.



**VILLAGE OF PECOS, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 15. BUDGET OVERAGES**

The Village incurred expenses greater than the authorized budget in the Emergency Medical Services Fund, Building Demolition and Park Fund, Waste Water Enterprise Fund, and Housing Authority Enterprise Fund were over budget by \$52,332, \$31,646, \$249,372, and \$10,769, respectively. The overages were the result of the Village not having a system to track budget overages.

**NOTE 16. DEFICIT FUND BALANCE**

The Village had a deficit fund balance of \$24,822 in the Law Enforcement Protection fund, \$1,557 in the Paving Municipal Parking Lot fund, and \$6,911 in the GIS Mapping fund. The cause of the deficit is unknown. Money will be transferred to the fund to increase the fund balance and eliminate the deficit.

**NOTE 17. SUBSEQUENT EVENTS**

Subsequent to June 30, 2008, the following major subsequent events occurred:

- The Village began construction of a new waste water treatment plant with an estimated total cost of \$3,600,000. The federal government is anticipated to supply 75% of the funding, and the state of New Mexico is anticipated to supply 25% of the funding for the project.
- The Village received \$125,000 to construct a new park at the municipal building.
- The Village received \$1,200,000 in funding to pave highway 63.
- The Village borrowed \$150,000 in order to hire a consulting firm and an auditing firm to complete the Villages audits from June 30, 2004 to June 30, 2007.

**VILLAGE OF PECOS, NEW MEXICO**  
**NONMAJOR FUNDS**  
**June 30, 2008**

**SPECIAL REVENUE FUNDS**

*Corrections.* To establish an additional sources of funds for municipalities to offset the costs of corrections. The source of funds is a five-dollar fee which must be paid by all persons violating laws relating the operations of a motor vehicle. Authority is NMSA 33-9-3.

*Environmental Gross Receipts Tax.* 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 Joint Powers Agreement.

*Emergency Medical Services.* To account for funds available for emergency medical equipment and supplies attributable to such services. Financing is provided by the State of New Mexico. Authority is the Emergency Medical Services Fund Act, NMSA 24-10A.

*Emergency 911.* To account for grant funds available for the basic 911 emergency telephone number. Financing is provided by the State of New Mexico. Authority is the Enhanced 911 Regulations at 10 NMAC 6.2, and Sections 63-9D-1 et. seq. NMSA 1978.

*Fire Protection Fund* – a special revenue fund used to account for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant form the State of New Mexico. Authority is NMSA 59-A-53-1.

*Law Enforcement Protection.* To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Authority is NMSA 29-13-4.

*Recreation.* To account for revenues and expenditures relating to village recreational facilities and programs. Financing is provided by the State. Such revenue provides for payment of all current operating costs and may be used for that purpose only. Authority is NMSA 7-12-15.

*Paving Municipal Parking Lot.* To account for the revenues and expenditures related to a grant for the paving of the municipal parking lot.

*Computer Technology.* To account for the revenues and expenditures related to a grant for computer technology.

*GIS Mapping.* To account for the revenues and expenditures related to GIS mapping.

**CAPITAL PROJECT FUND**

*EDA.* To account for the proceeds of a grant from the State of New Mexico, Environmental Department, for capital outlay at the Village's landfill station.

**VILLAGE OF PECOS, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	Special Revenue		
	Corrections	Environmental Gross Receipts Tax	Emergency Medical Services
<b>ASSETS</b>			
Cash	\$ 4,221	44,231	569
Receivables:			
Taxes:			
Gross receipts	-	1,752	-
Cigarette	-	-	-
<b>Total assets</b>	<b>\$ 4,221</b>	<b>45,983</b>	<b>569</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	-	-
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>
 <b>FUND BALANCES</b>			
Unreserved, undesignated, special revenues			
Special revenue funds	4,221	45,983	569
Capital projects funds	-	-	-
<b>Total fund balances</b>	<b>4,221</b>	<b>45,983</b>	<b>569</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 4,221</b>	 <b>45,983</b>	 <b>569</b>

**VILLAGE OF PECOS, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	Emergency 911	Fire Protection	Law Enforcement Protection
<b>ASSETS</b>			
Cash	\$ 3,659	47,603	-
Receivables:			
Taxes:			
Gross receipts	-	-	-
Cigarette	-	-	-
<b>Total assets</b>	<b>\$ 3,659</b>	<b>47,603</b>	<b>-</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	2,623	-
Due to other funds	-	-	24,822
<b>Total liabilities</b>	<b>\$ -</b>	<b>2,623</b>	<b>24,822</b>
<b>FUND BALANCES</b>			
Unreserved, undesignated, special revenues			
Special revenue funds	3,659	44,980	(24,822)
Capital projects funds	-	-	-
<b>Total fund balances</b>	<b>3,659</b>	<b>44,980</b>	<b>(24,822)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,659</b>	<b>47,603</b>	<b>-</b>

**VILLAGE OF PECOS, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	<u>Special Revenue</u>		
	Recreation	Paving Municipal Parking Lot	Computer Technology
<b>ASSETS</b>			
Cash	\$ 7,059	-	25,000
Receivables:			
Taxes:			
Gross receipts	-	-	-
Cigarette	223	-	-
<b>Total assets</b>	<u>\$ 7,282</u>	<u>-</u>	<u>25,000</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	-	-
Due to other funds	-	1,557	25,000
<b>Total liabilities</b>	<u>\$ -</u>	<u>1,557</u>	<u>25,000</u>
 <b>FUND BALANCES</b>			
Unreserved, undesignated, special revenues			
Special revenue funds	7,282	(1,557)	-
Capital projects funds	-	-	-
<b>Total fund balances</b>	<u>7,282</u>	<u>(1,557)</u>	<u>-</u>
 <b>Total liabilities and fund balances</b>	<u>\$ 7,282</u>	<u>-</u>	<u>25,000</u>

**VILLAGE OF PECOS, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	GIS Mapping	Total Special Revenue	EDA Capital Project
<b>ASSETS</b>			
Cash	\$ -	132,342	184
Receivables:			
Taxes:			
Gross receipts	-	1,752	-
Cigarette	-	223	-
<b>Total assets</b>	<b>\$ -</b>	<b>134,317</b>	<b>184</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	2,623	-
Due to other funds	6,911	58,290	-
<b>Total liabilities</b>	<b>\$ 6,911</b>	<b>60,913</b>	<b>-</b>
<b>FUND BALANCES</b>			
Unreserved, undesignated, special revenues			
Special revenue funds	(6,911)	73,404	-
Capital projects funds	-	-	184
<b>Total fund balances</b>	<b>(6,911)</b>	<b>73,404</b>	<b>184</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>134,317</b>	<b>184</b>

**VILLAGE OF PECOS, NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 June 30, 2008**

	Total Nonmajor
<b>ASSETS</b>	
Cash	\$ 132,526
Receivables:	
Taxes:	
Gross receipts	1,752
Cigarette	223
<b>Total assets</b>	<u>\$ 134,501</u>
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 2,623
Due to other funds	58,290
<b>Total liabilities</b>	<u>\$ 60,913</u>
 <b>FUND BALANCES</b>	
Unreserved, undesignated, special revenues	
Special revenue funds	73,404
Capital projects funds	184
<b>Total fund balances</b>	<u>73,588</u>
 <b>Total liabilities and fund balances</b>	 <u>\$ 134,501</u>

**VILLAGE OF PECOS, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2008**

	Special Revenue		
	Corrections	Environmental Gross Receipts Tax	Emergency Medical Services
Revenues			
Taxes	\$ -	33,237	-
Interest	-	-	-
Grant	-	-	66,200
	<hr/>		
<b>Total revenues</b>	-	33,237	66,200
	<hr/>		
Expenditures			
Current			
Public safety	-	-	18,532
Health and welfare	-	114	-
Highways and streets	-	-	-
Capital outlay	-	-	50,000
	<hr/>		
<b>Total expenditures</b>	-	114	68,532
	<hr/>		
Excess of revenues over expenditures	-	33,123	(2,332)
	<hr/>		
Net change in fund balances	-	33,123	(2,332)
	<hr/>		
Fund balance, beginning	4,221	12,860	2,901
	<hr/>		
<b>Fund balance, end of year</b>	<b>\$ 4,221</b>	<b>45,983</b>	<b>569</b>
	<hr/> <hr/>		



**VILLAGE OF PECOS, NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR FUNDS  
Year Ended June 30, 2008**

	Emergency 911	Fire Protection	Law Enforcement Protection
Revenues			
Taxes	\$ -	-	-
Interest	-	181	-
Grant	-	89,498	20,184
<b>Total revenues</b>	<b>-</b>	<b>89,679</b>	<b>20,184</b>
Expenditures			
Current			
Public safety	-	45,870	20,032
Health and welfare	-	-	-
Highways and streets	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>45,870</b>	<b>20,032</b>
Excess of revenues over expenditures	-	43,809	152
Net change in fund balances	-	43,809	152
Fund balance, beginning	3,659	1,171	(24,974)
<b>Fund balance, end of year</b>	<b>\$ 3,659</b>	<b>44,980</b>	<b>(24,822)</b>

**VILLAGE OF PECOS, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2008**

	<u>Special Revenue</u>		
	Recreation	Paving Municipal Parking Lot	Computer Technology
Revenues			
Taxes	\$ 1,285	-	-
Interest	17	-	-
Grant	-	11,865	25,000
	<hr/>		
<b>Total revenues</b>	1,302	11,865	25,000
	<hr/>		
Expenditures			
Current			
Public safety	-	-	-
Health and welfare	-	-	-
Highways and streets	-	900	-
Capital outlay	-	12,522	25,000
	<hr/>		
<b>Total expenditures</b>	-	13,422	25,000
	<hr/>		
Excess of revenues over expenditures	1,302	(1,557)	-
	<hr/>		
Net change in fund balances	1,302	(1,557)	-
	<hr/>		
Fund balance, beginning	5,980	-	-
	<hr/>		
<b>Fund balance, end of year</b>	<b>\$ 7,282</b>	<b>(1,557)</b>	<b>-</b>
	<hr/> <hr/>		

**VILLAGE OF PECOS, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2008**

	GIS Mapping	Total Special Revenue	EDA Capital Project
<b>Revenues</b>			
Taxes	\$ -	34,522	-
Interest	-	198	-
Grant	-	212,747	-
	<hr/>		
<b>Total revenues</b>	-	247,467	-
	<hr/>		
<b>Expenditures</b>			
Current			
Public safety	-	84,434	-
Health and welfare	-	114	-
Highways and streets	6,911	7,811	-
Capital outlay	-	87,522	-
	<hr/>		
<b>Total expenditures</b>	6,911	179,881	-
	<hr/>		
Excess of revenues over expenditures	(6,911)	67,586	-
	<hr/>		
Net change in fund balances	(6,911)	67,586	-
	<hr/>		
Fund balance, beginning	-	5,818	184
	<hr/>		
<b>Fund balance, end of year</b>	<b>\$ (6,911)</b>	<b>73,404</b>	<b>184</b>
	<hr/> <hr/>		

**VILLAGE OF PECOS, NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NONMAJOR FUNDS  
 Year Ended June 30, 2008**

	Total Non-major
Revenues	
Taxes	\$ 34,522
Interest	198
Grant	<u>212,747</u>
<b>Total revenues</b>	<u>247,467</u>
Expenditures	
Current	
Public safety	84,434
Health and welfare	114
Highways and streets	7,811
Capital outlay	<u>87,522</u>
<b>Total expenditures</b>	<u>179,881</u>
Excess of revenues over expenditures	<u>67,586</u>
Net change in fund balances	67,586
Fund balance, beginning	<u>6,002</u>
<b>Fund balance, end of year</b>	<u><u>\$ 73,588</u></u>

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CORRECTIONS**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
Expenditures				
Public safety	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	4,221	4,221	4,221	-
<b>Fund balance, end of year</b>	<b>\$ 4,221</b>	<b>4,221</b>	<b>4,221</b>	<b>-</b>

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**ENVIRONMENTAL GROSS RECEIPTS TAX**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,100	6,100	33,409	27,309
<b>Total revenues</b>	<b>6,100</b>	<b>6,100</b>	<b>33,409</b>	<b>27,309</b>
Expenditures				
Health and welfare	6,100	6,100	114	5,986
<b>Total expenditures</b>	<b>6,100</b>	<b>6,100</b>	<b>114</b>	<b>5,986</b>
Net change in fund balance	-	-	33,295	33,295
Fund balance, beginning of year	12,860	12,860	12,860	-
<b>Fund balance, end of year</b>	<b>\$ 12,860</b>	<b>12,860</b>	<b>46,155</b>	<b>33,295</b>
Non-GAAP change in fund balance			33,295	
Change in:				
Accounts receivable			(172)	
GAAP change in fund balance			<u>\$ 33,123</u>	

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**EMERGENCY MEDICAL SERVICES**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 16,200	16,200	66,200	50,000
<b>Total revenues</b>	<b>16,200</b>	<b>16,200</b>	<b>66,200</b>	<b>50,000</b>
Expenditures				
Public safety	16,200	16,200	18,532	(2,332)
Capital outlay	-	-	50,000	(50,000)
<b>Total expenditures</b>	<b>16,200</b>	<b>16,200</b>	<b>68,532</b>	<b>(52,332)</b>
Net change in fund balance	-	-	(2,332)	(2,332)
Fund balance, beginning of year	2,901	2,901	2,901	-
<b>Fund balance, end of year</b>	<b>2,901</b>	<b>2,901</b>	<b>569</b>	<b>(2,332)</b>

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**EMERGENCY 911**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
Expenditures				
Public safety	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	3,659	3,659	3,659	-
<b>Fund balance, end of year</b>	<b>\$ 3,659</b>	<b>3,659</b>	<b>3,659</b>	<b>-</b>



**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**FIRE PROTECTION**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
From local governments				
Grants	\$ 58,584	58,584	89,498	30,914
Interest income	100	100	181	81
<b>Total revenues</b>	<b>58,684</b>	<b>58,684</b>	<b>89,679</b>	<b>30,995</b>
<b>Expenditures</b>				
Public safety	75,654	73,848	43,247	30,601
<b>Total expenditures</b>	<b>75,654</b>	<b>73,848</b>	<b>43,247</b>	<b>30,601</b>
Net change in fund balance	(16,970)	(15,164)	46,432	61,596
Fund balance, beginning of year	1,171	1,171	1,171	-
<b>Fund balance, end of year</b>	<b>(15,799)</b>	<b>(13,993)</b>	<b>47,603</b>	<b>61,596</b>
Prior year cash appropriated	15,799	13,993	-	
	<b>\$ -</b>	<b>-</b>	<b>-</b>	
Non-GAAP change in fund balance			\$ 46,432	
Change in:				
Accounts payable			(2,623)	
GAAP change in fund balance			<b>\$ 43,809</b>	

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**LAW ENFORCEMENT PROTECTION**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 20,000	20,000	20,184	184
<b>Total revenues</b>	<b>20,000</b>	<b>20,000</b>	<b>20,184</b>	<b>184</b>
Expenditures				
Public safety	28,574	28,574	20,032	8,542
<b>Total expenditures</b>	<b>28,574</b>	<b>28,574</b>	<b>20,032</b>	<b>8,542</b>
Net change in fund balance	(8,574)	(8,574)	152	8,726
Fund balance, beginning of year	(24,974)	(24,974)	(24,974)	-
<b>Fund balance, end of year</b>	<b>(33,548)</b>	<b>(33,548)</b>	<b>(24,822)</b>	<b>8,726</b>
Prior year cash appropriated	33,548	33,548	24,822	
	<b>\$ -</b>	<b>-</b>	<b>-</b>	

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**RECREATION**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Cigarette tax	\$ 1,250	1,250	1,430	180
Interest	10	10	17	7
<b>Total revenues</b>	<b>1,260</b>	<b>1,260</b>	<b>1,447</b>	<b>187</b>
<b>Expenditures</b>				
Culture and recreation	4,000	9,000	-	9,000
<b>Total expenditures</b>	<b>4,000</b>	<b>9,000</b>	<b>-</b>	<b>9,000</b>
Net change in fund balance	(2,740)	(7,740)	1,447	9,187
Fund balance, beginning of year	5,980	5,980	5,980	-
<b>Fund balance, end of year</b>	<b>\$ 3,240</b>	<b>(1,760)</b>	<b>7,427</b>	<b>9,187</b>
Prior year cash appropriated	-	1,760	-	
	<b>\$ -</b>	<b>-</b>	<b>-</b>	
Non-GAAP change in fund balance			1,447	
Change in:				
Accounts receivable			(145)	
GAAP change in fund balance			<b>\$ 1,302</b>	

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**PAVING AND MUNICIPAL PARKING LOT**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 97,332	97,332	11,865	(85,467)
<b>Total revenues</b>	<b>97,332</b>	<b>97,332</b>	<b>11,865</b>	<b>(85,467)</b>
Expenditures				
Highways and streets			900	(900)
Capital outlay	97,332	97,332	12,522	84,810
<b>Total expenditures</b>	<b>97,332</b>	<b>97,332</b>	<b>13,422</b>	<b>83,910</b>
Net change in fund balance	-	-	(1,557)	(1,557)
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>-</b>	<b>(1,557)</b>	<b>(1,557)</b>

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**COMPUTER TECHNOLOGY**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 25,000	25,000	25,000	-
<b>Total revenues</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>-</b>
Expenditures				
Capital outlay	25,000	25,000	25,000	-
<b>Total expenditures</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>-</b>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**GIS MAPPING**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
Expenditures				
Highways and streets	29,000	29,000	6,911	22,089
<b>Total expenditures</b>	29,000	29,000	6,911	22,089
Net change in fund balance	(29,000)	(29,000)	(6,911)	22,089
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>(29,000)</b>	<b>(29,000)</b>	<b>(6,911)</b>	<b>22,089</b>
Prior year cash appropriated	29,000	29,000	6,911	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**BUILDING DEMOLITION AND PARK**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
From local governments	\$			
Grants	125,000	125,000	192,836	67,836
<b>Total revenues</b>	<b>125,000</b>	<b>125,000</b>	<b>192,836</b>	<b>67,836</b>
<b>Expenditures</b>				
General government	-	-	13,424	(13,424)
Capital outlay	125,000	125,000	156,646	(31,646)
<b>Total expenditures</b>	<b>125,000</b>	<b>125,000</b>	<b>170,070</b>	<b>(31,646)</b>
Net change in fund balance	-	-	22,766	36,190
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>-</b>	<b>22,766</b>	<b>36,190</b>

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**WASTE WATER ENTERPRISE**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 100,510	100,510	99,113	(1,397)
Grant income	-	-	179,050	179,050
Interest	-	-	983	983
<b>Total revenues</b>	<b>100,510</b>	<b>100,510</b>	<b>279,146</b>	<b>178,636</b>
<b>Expenses</b>				
Operating	159,785	159,785	104,703	55,082
Capital outlay	6,500	6,500	310,954	(304,454)
<b>Total expenditures</b>	<b>166,285</b>	<b>166,285</b>	<b>415,657</b>	<b>(249,372)</b>
Excess of revenues over expenditures	(65,775)	(65,775)	(136,511)	(70,736)
<b>Other financing sources (uses)</b>				
Operating transfers out	(15,473)	(15,473)	-	15,473
<b>Total other financing sources (uses)</b>	<b>(15,473)</b>	<b>(15,473)</b>	<b>-</b>	<b>15,473</b>
Net change in net assets	(81,248)	(81,248)	(136,511)	(55,263)
Net assets, beginning of year	922,263	922,263	922,263	-
<b>Net assets, end of year</b>	<b>\$ 841,015</b>	<b>841,015</b>	<b>785,752</b>	<b>(55,263)</b>
Non-GAAP change in fund balance			\$ (136,511)	
Change in:				
Accounts receivable, net of allowance			(837)	
Grant receivable			132,617	
Accounts payable			32,613	
Other accrued expenses			1,034	
Non-budgeted items				
Capital expenditures capitalized			310,954	
Depreciation			(11,222)	
GAAP change in net assets			<u>\$ 328,648</u>	



**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**WATER ENTERPRISE**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 193,100	193,100	216,046	22,946
Grant income	-	-	231	231
Interest	2,000	2,000	758	(1,242)
<b>Total revenues</b>	<b>195,100</b>	<b>195,100</b>	<b>217,035</b>	<b>21,935</b>
<b>Expenses</b>				
Operating	298,501	298,501	284,617	13,884
Capital outlay	52,000	52,000	-	52,000
Debt service	-	-	29,849	(29,849)
<b>Total expenditures</b>	<b>350,501</b>	<b>350,501</b>	<b>314,466</b>	<b>36,035</b>
Excess of revenues over expenditures before other financing uses	(155,401)	(155,401)	(97,431)	57,970
<b>Other financing uses</b>				
Operating transfers in	43,600	43,600	-	(43,600)
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>43,600</b>	<b>43,600</b>	<b>-</b>	<b>-</b>
Change in net assets	(111,801)	(111,801)	(97,431)	57,970
Net assets, beginning of year	414,482	414,482	414,482	-
<b>Net assets, end of year</b>	<b>\$ 302,681</b>	<b>302,681</b>	<b>317,051</b>	<b>57,970</b>
Non-GAAP change in fund balance			\$ (97,431)	
Change in:				
Receivables			(1,791)	
Accounts payable			1,303	
Accrued compensation and benefits			1,080	
Interest payable			(282)	
Compensated absences			3,757	
Non-budgeted items				
Debt service principal			29,849	
Depreciation			(28,310)	
GAAP change in net assets			<u>\$ (91,825)</u>	

**VILLAGE OF PECOS, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**HOUSING AUTHORITY ENTERPRISE**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>Revenues</b>				
Intergovernmental - federal	\$ 82,760	82,760	82,760	-
Charges for services	94,560	94,560	99,645	5,085
Operating grants	39,462	36,978	39,213	2,235
Capital grants	13,744	16,228	4,325	(11,903)
Interest	-	-	709	709
<b>Total revenues</b>	<b>230,526</b>	<b>230,526</b>	<b>226,652</b>	<b>(3,874)</b>
<b>Expenses</b>				
Administration	87,542	85,058	75,282	9,776
Utilities	34,980	34,980	61,384	(26,404)
Maintenance	65,000	65,000	72,173	(7,173)
Capital outlay	13,744	16,228	-	16,228
General	8,784	8,784	11,980	(3,196)
<b>Total expenditures</b>	<b>210,050</b>	<b>210,050</b>	<b>220,819</b>	<b>(10,769)</b>
Excess of revenues over expenditures	20,476	20,476	5,833	(14,643)
<b>Other financing sources (uses)</b>				
Operating transfers in	17,726	17,726	17,726	-
Operating transfers out	(18,000)	(18,000)	(17,726)	274
<b>Total other financing sources (uses)</b>	<b>(274)</b>	<b>(274)</b>	<b>-</b>	<b>274</b>
Net change in net assets	20,202	20,202	5,833	(14,369)
Net assets, beginning of year	827,221	827,221	827,221	-
<b>Net assets, end of year</b>	<b>\$ 847,423</b>	<b>847,423</b>	<b>833,054</b>	<b>(14,369)</b>
Non-GAAP change in fund balance			\$ 5,833	
Non-budgeted items				
Depreciation			(44,195)	
GAAP change in net assets			<u>\$ (38,362)</u>	

**VILLAGE OF PECOS, NEW MEXICO**  
**AGENCY FUNDS**  
**June 30, 2008**

*Motor Vehicle Fund.* To account for motor vehicle fees collected by the Village on behalf of the State of New Mexico.

**VILLAGE OF PECOS, NEW MEXICO**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -**  
**AGENCY FUNDS**  
**Year Ended June 30, 2008**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>MOTOR VEHICLE FUND</b>				
<b>ASSETS</b>				
Cash	\$ 50	263,075	263,075	50
<b>Total assets</b>	<u>\$ 50</u>	<u>263,075</u>	<u>263,075</u>	<u>50</u>
<b>LIABILITIES</b>				
Due to other entities	\$ (730)	263,075	264,338	(1,993)
Due to other funds	780	1,263	-	2,043
<b>Total liabilities</b>	<u>\$ 50</u>	<u>264,338</u>	<u>264,338</u>	<u>50</u>

**VILLAGE OF PECOS, NEW MEXICO**  
**SCHEDULE OF DEPOSIT ACCOUNTS**  
**June 30, 2008**

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Bank of Las Vegas	General Fund	Checking	\$ 709,452	612,428
Bank of Las Vegas	Fire Protection	Checking	60,648	62,166
Bank of Las Vegas	Recreation	Checking	2,262	2,262
Bank of Las Vegas	Water and Sewer Enterprise	Checking	464,684	446,015
Bank of Las Vegas	Capital Projects	Checking	184	184
Bank of Las Vegas	Payroll	Checking	21,300	23,810
Bank of Las Vegas	Pecos Housing Authority	Checking	23,951	17,751
Bank of Las Vegas	Pecos Housing Authority	Checking	1	1
Bank of Las Vegas	Pecos Housing Authority	Checking	5,107	5,107
Bank of Las Vegas	Pecos Housing Authority	Checking	31,913	31,913
Bank of Las Vegas	Water Deposit	Checking	27,663	27,512
Bank of America	Sewer Replacement Fund	Checking	11,158	11,158
Bank of America	Sewer System Repair and Replacement	Checking	6,961	6,961
Bank of America	Reserve Fund 1986	Checking	14,959	14,959
Bank of America	Water Replacement Fund	Checking	12,501	12,673
Bank of America	Joint Water and Sewer System	Checking	3,800	3,800
Del Norte Credit Union	Sewer System Reserve Fund	Checking	17,460	17,460
			<u>1,414,004</u>	<u>1,296,160</u>
Petty Cash	General Fund		-	367
Petty Cash	Utility Clerk		-	50
Petty Cash	Pecos Housing Authority		-	50
<b>Total deposit accounts - non-agency</b>			<u>\$ 1,414,004</u>	<u>1,296,627</u>
Agency funds cash accounts				
Bank of Las Vegas	MVD		\$ 3,797	1,991
Petty Cash	MVD Clerk		-	50
<b>Total cash - agency funds</b>			<u>\$ 3,797</u>	<u>2,041</u>

**VILLAGE OF PECOS, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2008**

	Bank of Las Vegas	Bank of America	Del Norte Credit Union	Total
Deposits at June 30, 2008	\$ 1,350,962	49,379	17,460	1,417,801
Less: FDIC coverage	100,000	49,379	17,460	166,839
Uninsured public funds	1,250,962	-	-	1,250,962
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	1,362,536	-	-	1,362,536
Uninsured and uncollateralized	\$ -	-	-	-
50% pledged collateral requirement per statute	\$ 625,481	-	-	625,481
Total pledged collateral	1,362,536	-	-	1,362,536
Pledged collateral over the requirement	\$ (737,055)	-	-	(737,055)

Pledged collateral at June 30, 2008 consists of the following:

Security	CUSIP	Maturity	Par or Market Value
UNM Valencia County, muni bond	914696CE7	8/1/2009	200,000
Gallup, McKinley County, muni bond	364010LS5	8/1/2011	500,000
Hope Ca., elementary bonds	439413CX1	8/1/2012	215,000
Alamagordo, NM 3.50%, muni bond	01145NAL7	6/1/2013	300,000
Harris County Texas	414150MH2	9/1/2014	147,536
Total pledged collateral			\$ 1,362,536

The custodian of the pledged securities for the Bank of Las Vegas is the Federal Home Loan Bank in Dallas, Texas.

**VILLAGE OF PECOS, NEW MEXICO**  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
**June 30, 2008**

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Village	Amount contributed by Village during fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
NM State Police	New Mexico State Police Village of Pecos	Village of Pecos	The New Mexico State Police provide law enforcement and police protection within the limits of Pecos.	7/14/2000 No end date	The Village must provide office space for the NMSP. The Village was also required to provide a four-wheel drive Jeep Grand Cherokee.  The vehicle was provided in a prior audit year.  There is no cash expense paid for the office space. The NMSP is using Village office space.	\$ -	Village of Pecos	New Mexico State Police
Wildland Fire Suppression	Village of Pecos	New Mexico Energy, Minerals and Natural Resources Department (EMNRD)	The Village and EMNRD coordinate efforts to commit to mutual wildland fire suppression and management	12/27/2007 No end date	The Village will be reimbursed at established rates for providing firefighting resources as requested by EMNRD outside of the Village's municipal limits	\$ -	None	New Mexico Energy, Minerals and Natural Resources Department (EMNRD)

# PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS  
10612 ROYAL BIRKDALE NE  
ALBUQUERQUE, NM 87111

## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards***

Mr. Hector H. Balderas, State Auditor and  
Mr. Tony J. Roybal, Mayor and  
The Village Trustees  
Village of Pecos, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and budgetary comparisons of the general fund and the street fund, of the Village of Pecos (Village), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 30, 2010. We also have audited the financial statements of each of the Village's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules, and budgetary comparisons, as of and for the year ended June 30, 2008, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.



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A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 04-2, 04-3, 04-6, 04-7, 04-8, 04-9, and 04-11.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of 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 are described in the accompanying schedule of findings and recommendations and responses as items 04-1, 04-5, 04-6, 04-8, 04-11, and 08-1 for the Village, and items 01-04, and 08-01 for the Housing Authority.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Mr. Hector H. Balderas, State Auditor and  
Mr. Tony J. Roybal, Mayor and  
The Village Trustees  
Village of Pecos, New Mexico

This report is intended solely for the information and use of the Village of Pecos' management, Village Trustees, federal awarding agencies, and the Office of the State Auditor and the Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

*Porch & Associates LLC*

Albuquerque, New Mexico  
April 30, 2010

**VILLAGE OF PECOS, NEW MEXICO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2008**

**Village of Pecos**

04-1	Due Date of Audit Report	Modified and repeated
04-2	Disaster Recover Plan and Information Technology General Controls	Modified and repeated
04-3	Utility Billing, Accounts Receivable and Internal Controls	Modified and repeated
04-6	Payroll Disbursements	Modified and repeated
04-7	Bank Reconciliations and Old Outstanding Items	Modified and repeated
04-8	Travel and Per Diem Disbursements	Modified and repeated
04-9	Water Deposit Liability	Modified and repeated
04-11	Capital Asset Additions	Modified and repeated
07-1	Payroll Tax Reporting	Resolved

**Housing Authority**

01-04	Audit Report	Modified and repeated
2007-01	Late Filing with REAC	Resolved

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**04-1 Late Audit Report**

**CONDITION**

The June 30, 2008 audit report was not filed timely as required by State Auditor Rule NMAC 2.2.2.9.A. The audit report was submitted to the Office of the State Auditor on June 3, 2010.

**CRITERIA**

According to State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements are due by December 1 following the fiscal year-end, thus requiring the June 30, 2008 report to be filed by December 1, 2008.

**EFFECT**

The Village is not in compliance with State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2008. The Village does not have audited financial statements for use in borrowing, bonds, and grant applications.

**CAUSE**

The books and records were not reconciled until after the due date. Also, there was significant turnover of key accounting staff during the period the audit was to be prepared.

**RECOMMENDATION**

The Village should consider hiring an outside public accountant to help train the accounting staff, help reconcile the accounting records, and help with the year-end close and audit preparation.

**MANAGEMENT RESPONSE**

Management concurs with this finding. The oversight (untimely submission of annual audits), was discovered when the existing Mayor and Village administration assumed responsibility for administration of the Village affairs. Upon discovery of this requirement, management immediately addressed this matter. The Village secured a loan from the New Mexico State Board of Finance, promptly hired a financial consulting firm to prepare and make available financial audit information for audit, communicated and

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-1 Late Audit Report (Continued)**

**MANAGEMENT RESPONSE (CONTINUED)**

coordinated with the Office of the State Auditor, issued a request for proposal for audit services, and engaged an independent audit firm to begin addressing this important requirement.

We take seriously the audit recommendation to hire an outside public accountant to help train our accounting staff and perform all required accounting functions necessary to maintain accurate and timely financial information and preserve the integrity of our accounting processes and systems. The Village recently hired a CPA firm on contract to train our accounting staff. However, through a misunderstanding of the scope of work, the firm addressed other financial issues unrelated to training of accounting staff and the Village thereby terminated the contract. We are still considering pursuing this effort and will do so when sufficient resources become available.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-2 Disaster Recovery Plan and Information Technology General Controls**

**CONDITION**

The disaster recovery plan in place is inadequate for the size and operations of the Village. A disaster recovery plan should be a map for reestablishing operations after a disaster. This map should include details of, at minimum, the following:

- What hardware and software are in place and which vendors may be used to replace the hardware and software.
- Potential off-site locations for running operations.
- Names and telephone numbers of critical operations personnel that should be contacted during a disaster.
- Backup and recovery procedures for data.
- The location of the offsite data backups.
- A detailed list of instructions to be followed in order to reestablish operations.

We reviewed the information technology general controls and found the following:

- There are no operational policies for the information technology function of the Village.
- System backups are not taken offsite. This is inadequate for the amount of data being processed by the Village.

**CRITERIA**

Section 12-6-5, NMSA 1978, requires the annual financial and compliance audit of agencies to detail any violation of law or good accounting practices found by the audit. An adequate disaster recover plan is a requirement for continuing operations after a disaster. Backups should go offsite at least once a week. The Village should develop sufficient policies and procedures to govern the information technology function.

The Village would not be able to continue operations if there was a significant disaster.

**EFFECT**

The Village may not be able to continue operations in the event of a disaster.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-2 Disaster Recovery Plan and Information Technology General Controls  
(Continued)**

**CAUSE**

The Village had developed a disaster recovery plan, but had not determined that it was insufficient. They did not review the plan to ensure it was sufficient.

**RECOMMENDATION**

We recommend that the Village prepare a detailed disaster recovery plan. We further recommend that the Village consider taking the backups offsite at least once a week. The Village should consider developing policies and procedures governing the information technology function.

**MANAGEMENT RESPONSE**

We recognize that the existing disaster recovery plan is inadequate and therefore concur with this finding. Our understanding is that our entire data processing system is connected to the Office of the State Police's main server, which is housed in the same Village municipal building complex. Because the Office of the State Police is a state agency, its entire data processing system is managed, controlled and monitored by the Office of Information Processing of the General Services Department. As such, it is subject to the same disaster recovery system and security protocols that apply to all of state government. We agree that system backups containing data files should be stored offsite. The Village of Pecos does maintain a back system with all accounting data and information on a weekly basis. The backup information is stored on a remote offsite location at the Bank of Las Vegas, Pecos Branch, which is far enough to maintain safe keeping in the event of a disaster and is available for recovery if necessary.

We fully intend to develop, implement and enforce policies addressing a Disaster Recovery Plan and Information Technology General Controls immediately upon the hiring of a full-time accountant. Such policies will contain a detailed plan requirement for continuing operations complete with a list of vendors and appropriate contacts that will enable the Village to resume operations with a minimum of interruptions in the event of a disaster.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-3 Utility Billing, Accounts Receivable and Internal Controls**

**CONDITION**

We tested 25 utility billings as part of our audit. We noted the following:

- The ordinance for water and sewer billing has a flat rate for service. We found that one of the twenty-five customers tested are being charged a rate which is not authorized by the water and sewer ordinance. The amount of overbilling was \$1.
- One of the twenty-five customers tested was not being billed consistently at either the commercial rate or the residential rate. The customer was billed at the commercial rate for water, and at the residential rate for sewer.

We reviewed the internal controls related to the utility billing and collections process and found the following:

- The water and sewer clerk can make adjustments to the billing and accounts receivable system without approval. We also found that adjustments to accounts receivable are not being reviewed and approved.

**CRITERIA**

- Village Ordinance No. 99-4 (as updated by ordinance No. 2004-3) details the rate to be charged for utility services. Customers should be billed at the rates provided by the ordinances.
- Customers should be classified as either residential or commercial, and charged the corresponding rate for both sewer and water.
- Adjustments and writeoffs of accounts receivable balances should be approved before they are made. The monthly activity of adjustments and writeoffs should be reviewed in order to make sure that all adjustments and writeoffs were approved.
- As per the New Mexico Taxation and Revenue Department, a governmental gross receipts tax of 5% is imposed on the receipts of New Mexico state and local governments from sewage services and the sale of water by a utility owned or operated by a municipality.



**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-3 Utility Billing, Accounts Receivable and Internal Controls (Continued)**

**EFFECT**

Village utility customers may have been over or under charged. As a result, revenue may be over or under stated on the statement of activities. The Village may not know the correct amount of revenue for budgeting.

There may be undetected fraud in the accounts receivable system. Accounts may have been adjusted or written off in order to cover up the theft of cash.

The gross receipts tax remitted to the State of New Mexico Taxation and Revenue Department may have been over or under calculated.

**CAUSE**

The utility billing system has not been set up to bill the correct amount. There is insufficient approval of adjustments and writeoffs.

**RECOMMENDATION**

The Village should review the setup of the utility billing system to ensure it is billing correctly and posting to revenue correctly. The Village should consider testing a sample of billings each month in order to ensure the utility billing system is working correctly.

All accounts receivable adjustments and writeoffs should be approved before they are made. A month-end report of all adjustments and writeoffs should be reviewed to make sure that all adjustments and writeoffs have been approved.

**MANAGEMENT RESPONSE**

We agree with this finding. Mismanagement and fraud are of serious concerns to management and staff. We value policies, procedures and internal controls that will mitigate the risks of fraud and mismanagement. The billing system is relatively new. We have contacted and already made arrangements with vendor technical support staff to thoroughly explain and train our staff on the billing system. Although the cost of a one-day training seem prohibitive, we recognize that this is an investment in ensuring accurate recording of billing data and in enhancing internal control procedures. Currently, we manually input transaction activity from the billing system into our accounting system. This process, of course, exposes itself to errors and inaccuracies. We are in communication with our new accounting system technical support staff to fully integrate the billing system as well as other accounting modules with our general ledger

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-3 Utility Billing, Accounts Receivable and Internal Controls (Continued)**

**MANAGEMENT RESPONSE (CONTINUED)**

accounting module in order to facilitate and make the system more accurate and error free. The existing accounting system has the ability to segregate actual revenue from gross receipts taxes and properly post accounting entries when properly entered. We recognize the importance of accurate customer billing to prevent understating or overstating of revenue and accounts receivable.

A full-time accountant onsite will be able to supervise all accounting functions and approve appropriate journal entries, adjustment and write offs.

We believe that a review of ordinances addressing rates and security deposits on water and sewer hookups is now required. New ordinances have been drafted and more will be forthcoming as necessary and put forth to the Mayor and Council for consideration and adoption to ensure accuracy, consistency and equity in the billing process.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-6 Payroll Disbursements**

**CONDITION**

We tested 25 payroll disbursements as part of our audit. We noted the following:

- For twenty of the disbursements tested the authorized employee payrate was not documented in the employees personnel file.
- Three of the employees tested did not have an I-9 form in their personnel file.
- Nine of the employees tested had an I-9 form completed by the employee in the personnel file, however the forms of ID that were taken were not documented on the I-9 form or kept as a copy in the personnel file.
- For one of the employees tested, PERA was being withheld at the proper rate, however there was no PERA application in the personnel file.
- For one of the employees tested who did not have PERA withheld, did not have a PERA exclusion form in the personnel file.
- One of the disbursements tested with a PERA contribution had 2.63% of their gross wages deducted for PERA. As per the Village Resolution 1993-94-3, the Village will contribute 75% of the employees 13.15% contribution. Thus the employee should be contributing 3.29%. PERA was under withheld by \$10.63.

**CRITERIA**

Good accounting practices dictate that pay rate increases should not only be input into the payroll system, but should be documented in the employee's personnel files. Payroll should be reviewed sufficiently to be sure it does not contain errors in PERA, leave accrual and that the time cards are calculated correctly and approved.

PERA should be withheld from employee paychecks at the approved rate.

**EFFECT**

Payroll errors may occur and not be caught by the internal controls in place. The result would be incorrect payroll expense and related leave accruals.

**CAUSE**

The Village has inadequate procedures over the maintenance of personnel files. There is insufficient review of payroll.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-6 Payroll Disbursements (Continued)**

**RECOMMENDATION**

The Village should consider performing a personnel file audit in order to correct any deficiencies. It should also consider implementing procedures to ensure that the files are maintained.

The Village should consider reviewing payroll more thoroughly to ensure that errors in accrued leave, time cards and payroll processing are caught and corrected before final checks are processed.

**MANAGEMENT RESPONSE**

We agree with this finding. Although a personnel file exists for all employees, Mayor and Council, file information is not always updated. The findings indicated are a result of the previously used accounting software. The existing payroll system accurately records gross-to-net information, maintains year-to-date data on accrued sick and annual leave, and accrued benefits. Employee data is entered manually from approved time sheets. Unless employee information is entered incorrectly into the system, it should virtually be error proof. Notwithstanding the system's assumed accuracy, we appreciate the importance of oversight and supervision for payroll personnel and will ensure that supervision is appropriately administered. To this end we are in constant communication with our accounting software technical support personnel to ensure accurate payroll input of employee compensation and deductions.

It is management's desire to incorporate 'personnel action' sheets in the future to record and maintain an employee's employment history, record of salary increases, promotions, demotions, terminations and other relevant information. Again, this is consistent with our goal of upgrading our systems and processes and fine tuning them so as to achieve accuracy, accountability, appropriate disclosure, and transparency. Accurate and timely submission of federal and state payroll withholding reports lends itself to a more thorough review of payroll information.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-7 Bank Reconciliations and Old Outstanding Items**

**CONDITION**

We reviewed the bank and investment reconciliations as part of our audit of cash and investments and internal controls over cash and investments. We noted that there were checks and deposits greater than six months old. We noted outstanding items over 6 months old totaling \$5,386.

**CRITERIA**

Good accounting practices dictate that checks that are more than a month old should be reviewed as part of the monthly bank reconciliation procedure to be sure that they have not been processed in error or that the bank account has been improperly reconciled.

**EFFECT**

Cash accounts were misstated at year-end.

**CAUSE**

Inadequate review of the bank reconciliations.

**RECOMMENDATION**

The Village should establish a monthly review procedure whereby the outstanding checks and deposits over a month old are reviewed for correctness.

**MANAGEMENT RESPONSE**

We concur with this finding. Our existing accounting system easily lends itself to reconcile bank and investments balances with those from the bank. We will ensure that bank reconciliations for all our cash accounts continue to be performed timely on a monthly basis. Although significant progress has been achieved by substantially reducing outstanding old and stale-dated checks, we will continue to address this finding. All state dated or outstanding checks will be researched as to their validity and deleted or disposed of as appropriate.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-8 Travel and Per Diem Disbursements**

**CONDITION**

We tested 9 travel and per diem disbursements as part of our audit. We noted the following:

- For four of the items tested the employees were given 100% advances. Advances should be limited to 80%. Three of the four advances were given more than two weeks in advance. The advances given more than two weeks in advance were per diem payments to employees, and thus, the advance did not result in significant savings for travel.
- For one of the items tested, the employee was paid a full day per diem rate on the last day of travel when overnight lodging was no longer required. The employee was also reimbursed a meal allowance in addition to the per diem rate. This resulted in an overpayment to the employee of \$445.
- For one of the items tested, the employee was paid a full day per diem rate on the last day of travel when overnight lodging was no longer required. The employee was also reimbursed an additional \$180 for airfare, however there was no receipt attached to the travel voucher. This resulted in an overpayment to the employee of \$265.

**CRITERIA**

- All travel vouchers should be approved before payment. Reimbursements should be supported by underlying receipts and other supporting documentation.
- 2.42.10 A. NMAC states that employees may request to be advanced up to 80 percent of the per diem rates and mileage cost or for the actual costs of lodging, meals, and other travel expenses.
- The review and approval of travel and per diem vouchers should be sufficient to ensure compliance with the state's travel and per diem act. Travel vouchers and supporting schedules and documents shall conform to the policies and procedures manuals issued by the financial control division of the Department of Finance and Administration per 2.42..2.13 NMAC and DFA Rule 95-1, Section 9, 07/01/03.
- 2.42.2.9 A. NMAC states that where lodging and/or meals are provided or paid for by the agency, the governing body, or another entity, the public officer or employee is entitled to reimbursement only for actual expenses.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-8 Travel and Per Diem Disbursements (Continued)**

**EFFECT**

The Village is not in compliance with the Travel and Per Diem Act. The Village may have overpaid employees for travel and per diem.

**CAUSE**

Inadequate review and approval of travel vouchers and payment processing.

**RECOMMENDATION**

The Village should consider reviewing travel and per diem processing more thoroughly to ensure that errors are caught and corrected before final checks are processed.

**MANAGEMENT RESPONSE**

We agree with this finding. Management will ensure that thorough review of travel requests is conducted to ensure accuracy and compliance with the Travel and Per Diem Act before authorizing payment.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-9 Water Deposit Liability**

**CONDITION**

The Village is not able to produce a report showing the amount of water deposits collected and held for customers.

**CRITERIA**

Good accounting practices dictate that the Village should keep a deposit register showing which utility customers have paid deposits. The Village will have to pay back the deposits in the future. If they do not track the deposits, then they do not know who they owe money to.

**EFFECT**

The Village does not know which utility billing customers have paid deposits.

**CAUSE**

Inadequate training regarding the proper accounting for water deposits.

**RECOMMENDATION**

The Village should reconstruct the deposit liability register. They should then maintain and reconcile the register to the general ledger on a monthly basis.

**MANAGEMENT RESPONSE**

We agree with this finding. The Village will attempt to reconstruct the deposit liability register as well as maintain and reconcile the register to the general ledger. Integration of the billing module to the existing accounting system should facilitate the reconciliation process and maintain an accurate list of customers who have made deposits.



**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-11 Capital Asset Inventory**

**CONDITION**

The Village did not perform the required annual physical inventory of capital assets.

**CRITERIA**

Section 12-6-10, NMSA 1978, requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

**EFFECT**

The Village's capital asset listing and depreciation expenses were misstated before adjustment. In addition, the proprietary capital asset balances were misstated at year-end before adjustment.

**CAUSE**

The Village does not have a mechanism to track capital asset additions and deletions.

**RECOMMENDATION**

The Village should develop a policy and system which require the tracking of additions and deletions to capital assets.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**04-11 Capital Asset Inventory (Continued)**

**MANAGEMENT RESPONSE**

We agree with this finding. Our existing accounting system has a Fixed Asset and Capital Project tracking module which has not yet been implemented. Management intends to ensure that this module has sufficient capability to perform all aspects of Capital Project accounting, to include more comprehensive cost information, so that investors may make informed decisions concerning our municipal government's ability to maintain its infrastructure while repaying its debts. The system, at a minimum, should have the capability to differentiate which assets to expense and which to capitalize and to maintain a comprehensive inventory of infrastructure assets. We intend to require the accountant to implement an asset management system that meets the minimum requirements of GASB 34, and develop policies and procedures for the efficient reporting of capital assets. These policies and procedures should include: depreciable lives for capital assets; appropriate categories for asset classification; capitalization thresholds for each class of assets for reporting and control purposes; depreciation methods; salvage values for different classes of assets; a methodology for allocation depreciation to the function and program level for the government-wide statement of activities, if applicable; and definition of preservation costs, maintenance costs, the costs of improvements to the efficiency or capacity of the assets and a method for capturing costs. In the event the existing module does not possess the desired capability, we will ensure that a system is implemented to properly account for fixed assets and infrastructure. As of fiscal year 2008, our consultant has developed a more comprehensive list of Capital Assets and will contact an appraisal firm to properly assign values to our Capital Assets.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)**

**08-1 Expenditures in Excess of Budget**

**CONDITION**

The following funds had expenditures in excess of approved budget:

Emergency Medical Services	\$52,332
Building Demolition and Park	\$31,646
Waste Water Enterprise	\$249,372
Housing Authority Enterprise	\$10,769

**CRITERIA**

Expenditures in excess of budget is a violation of 6-6-6, NMSA 1978.

**EFFECT**

The Village is in violation of state statute. Overspending the current year's budget may mean that sufficient funds may not be available in future years.

**CAUSE**

Budget adjustments were not being requested. Budgets were not being properly monitored.

**RECOMMENDATION**

The Village should consider implementing a system to track budgets and request budget adjustments for funds over budget.

**MANAGEMENT RESPONSE**

We agree with this finding. Management is fully cognizant of the importance of ensuring budget sufficiency to avoid overspending and of accurate, comprehensive quarterly reporting to the Department of Finance and Administration. Our existing accounting software is unique to governmental accounting and can better track revenues, expenditures and financial activity. The existing accounting software which was not implemented until fiscal year 2007 provides for input of budget information at the beginning of the fiscal year. Year-to-date expenditures by fund and expenditure line item are available via online, real-time for review as well as on hard copy. This feature enables management and staff to better monitor expenditures for historical information, planning purposes, decision making and to avert overspending of authorized budget.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)  
HOUSING AUTHORITY**

**01-04 Late Audit Report**

**CONDITION**

The New Mexico State Auditor required the audit to be completed and submitted to his office by December 1, 2008. The report is past due. The report was submitted to the Office of the State Auditor for review on December 15, 2008.

**CRITERIA**

The State Auditor's Rule, section 2.2.2.9 A. (1) (d), establishes a due date of December 1 for the audit reports of Municipalities, Special Districts, and Local Work Force Investment Boards. Since the Housing Authority of the Village of Pecos is a department of the Village of Pecos the due date for the audit report of the Housing Authority is also December 1.

**EFFECT**

State Auditor Rule 2.2.2.9 A. (1) (d) and HUD deadlines have not been met. As a result, the Village of Pecos' audit report could not have been submitted in a timely manner had the auditors' of the Village been ready to submit their report.

**CAUSE**

The Housing Authority was unable to obtain an auditor in a timely manner due to lack of response from auditing firms when the RFP was issued. The auditor chosen did not receive the signed contract from the Office of the State Auditor until after it was approved on October 22, 2008. After the audit field work was completed on November 1, 2008, additional time was required by the auditor to draft the report and schedule an exit conference and for the fee accountant to approve the audit adjustments and prepare the MD&A.

**RECOMMENDATION**

Contracting for audit services should be made one of the top priorities of management.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)  
HOUSING AUTHORITY**

**01-04 Audit Report (Continued)**

**MANAGEMENT RESPONSE**

On September 29, 2008 the Pecos Housing Authority received our Financial Audit Report for FY-07 (July 01, 2006 – June 30, 2007) from the State Auditor's Office.

On September 30, 2008 a contract was submitted to the State Auditors Office for our FY0-08 Financial Audit (July 1, 2007 – June 30, 2008).

October 10, 2008 – Received State Auditor's approval letter for CPA Gary Gaylord.

October 24, 2008 – Received approved Audit Contract from the State Auditor's Office.

October 31, 2008 – Thanks to the Staff of the State Auditor's Office, our Auditor was able to begin our FY-08 audit.

Based on the above time dates and time frame, I have no reservations this Audit will be completed and processed in a timely manner.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)  
HOUSING AUTHORITY**

**08-01 Over Expenditure of Budget**

**CONDITION**

Housing Authority of the Village of Pecos had expenditures in excess of the approved budget in the Low Rent Housing Program during the year ended June 30, 2008 in the amount of \$24,488.

**CRITERIA**

State Statute 6-6-6, NMSA 1978 requires the expenditures of public bodies not to exceed budget authority.

**EFFECT**

The Housing Authority violated its budget constraints and may have incurred costs during the current year that could have been postponed to a future period.

**CAUSE**

The Housing Authority encountered significant increases to its utility, maintenance, and insurance costs that were not anticipated when preparing its budget. Timely budget adjustments were not prepared to cover these increases in costs.

**RECOMMENDATION**

Monitor budget and request needed budget adjustments in advance of unfavorable variances.

**MANAGEMENT RESPONSE**

The over expenditures for FY-2008 were caused primarily due to increased utility costs. Because utility costs are a reimbursed item from HUD the budget amount we used is the amount calculated and approved with the submission of our HUD Form 52723 Operating Subsidy Calculation. Because we cannot change the amount approved by HUD during the year we do not do budget revisions caused by increased utility costs.

The increase however will be taken into account when completing the HUD Form 52723 for the following year and will increase the amount provided by HUD to pay the utility increases. I also take into account any prepayment made on the propane.

**VILLAGE OF PECOS, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008**

**FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)  
HOUSING AUTHORITY**

**08-01 Over Expenditure of Budget (Continued)**

**MANAGEMENT RESPONSE (CONTINUED)**

For example, when we purchase a large quantity at the end of the fiscal year I know the majority of the cost related to that purchase will be for the propane usage in the next fiscal year therefore, I setup a prepaid account and take the expense in the following year. This is the only way we would be able to allocated the utility expense to the next year.

**VILLAGE OF PECOS, NEW MEXICO  
EXIT CONFERENCE  
Year Ended June 30, 2008**

An exit conference was held on May 21, 2010, and attended by the following:

Village of Pecos, New Mexico

Tony Jose Roybal, Mayor  
Florencio Varela, Council Member  
Arthur Varela, Interim Village Clerk

Porch & Associates LLC

Thad Porch, Partner

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The financial statements were prepared by Porch & Associates LLC from the books and records of the Village of Pecos. However, the contents of these financial statements remain the responsibility of the Village's management.