

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF PECOS, NEW MEXICO

**Financial Statements, Supplementary Information
and
Independent Auditors' Report**

June 30, 2009

VILLAGE OF PECOS, NEW MEXICO

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VILLAGE OF PECOS, NEW MEXICO

List of Principal Officials

June 30, 2009

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, street fund, NMDOT grip project fund, and the senior citizen center fund, of the Village of Pecos (Village) as of and for the year ended June 30, 2009, 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, 2009, 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, 2009 and for the year then ended, which statements reflect total assets and revenues constituting 22% and 40%, 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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general

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

fund, street fund, NMDOT grip project fund, and the senior citizen center 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 September 6, 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, 2009, 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.

Porch & Associates LLC

Albuquerque, New Mexico
September 6, 2010

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,053,822	493,754	1,547,576
Cash and cash equivalents - restricted	-	6,426	6,426
Receivables			
Taxes			
Gross receipts	65,745	-	65,745
Gasoline	4,387	-	4,387
Motor vehicle	7,012	-	7,012
Property	262	-	262
Franchise	2,762	-	2,762
Cigarette	511	-	511
Grant	33,958	71,411	105,369
Accounts receivable, net of allowance	-	35,836	35,836
Inventory	-	15,557	15,557
Due from other state agencies	273,975	-	273,975
Due from other funds	327,769	-	327,769
Prepaid expenses	-	6,414	6,414
Capital assets, not depreciated	1,013,359	1,499,950	2,513,309
Capital assets, net of accumulated depreciation	1,408,181	1,542,472	2,950,653
Total assets	4,191,743	3,671,820	7,863,563
LIABILITIES			
Accounts payable	347,332	24,192	371,524
Accrued compensation and benefits	5,600	11,731	17,331
Interest payable	-	9,325	9,325
Deposits payable	-	32,859	32,859
Due to other funds	-	323,039	323,039
Noncurrent liabilities:			
Compensated absences, due in one year	6,903	3,691	10,594
Long-term liabilities, due in one year	21,429	18,079	39,508
Long-term liabilities, due in more than one year	85,714	337,274	422,988
Total liabilities	466,978	760,190	1,227,168
NET ASSETS			
Invested in capital assets, net of related debt	2,314,397	2,687,069	5,001,466
Unrestricted	1,410,368	224,561	1,634,929
Total net assets	\$ 3,724,765	2,911,630	6,636,395

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 521,225	9,835	231,932	369,658	90,200	-	90,200
Public safety	99,368	-	165,020	-	65,652	-	65,652
Health and welfare	71,254	-	-	-	(71,254)	-	(71,254)
Total governmental activities	701,245	9,835	396,952	379,696	85,238	-	85,238
Business-type activities							
Waste water	63,324	98,833	-	-	-	35,509	35,509
Water	307,015	197,637	-	71,411	-	(37,967)	(37,967)
Housing authority	252,391	97,616	95,970	53,334	-	(5,471)	(5,471)
Total business-type activities	622,730	394,086	95,970	124,745	-	(7,929)	(7,929)
Total primary government	\$ 1,323,975	403,921	492,922	504,441	85,238	(7,929)	77,309
General Revenues							
Franchise taxes					14,871	-	14,871
Gasoline taxes					24,485	-	24,485
Gross receipts taxes					333,814	-	333,814
Property taxes					9,347	-	9,347
Cigarette taxes					9,443	-	9,443
Motor vehicle tax					44,625	-	44,625
Transfers in: General obligation					296,061	-	296,061
Transfers in: Severance tax appropriation					82,665	551,401	634,066
Loss on the disposal of assets					(47,185)	-	(47,185)
Other					18,327	4,604	22,931
Interest					1,217	1,127	2,344
Total general revenues and transfers					787,670	557,132	1,344,802
Change in net assets					872,908	549,203	1,422,111
Net assets, beginning of year					2,851,857	2,362,427	5,214,284
Net assets, end of year					\$ 3,724,765	2,911,630	6,636,395

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

**VILLAGE OF PECOS, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General	Street	NMDOT Grip Project	Senior Citizen Center	Nonmajor Governmental Funds	Total
ASSETS						
Cash	\$ 606,783	261,350	-	40,972	144,717	1,053,822
Receivables						
Taxes						
Gross receipts	64,240	-	-	-	1,505	65,745
Gasoline	-	4,387	-	-	-	4,387
Motor vehicle	7,012	-	-	-	-	7,012
Property	262	-	-	-	-	262
Franchise	2,762	-	-	-	-	2,762
Cigarette	340	-	-	-	171	511
Grant	15,000	-	-	9,658	9,300	33,958
Due from other state agencies	-	-	152,074	121,901	-	273,975
Due from other funds	421,470	69,408	-	-	-	490,878
Total assets	\$ 1,117,869	335,145	152,074	172,531	155,693	1,933,312
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 114,626	-	75,506	144,232	12,968	347,332
Accrued compensation and benefits	5,600	-	-	-	-	5,600
Due to other funds	-	-	76,568	28,289	58,252	163,109
Total liabilities	120,226	-	152,074	172,521	71,220	516,041
FUND BALANCES						
Unreserved, undesignated reported in:						
General fund	997,643	-	-	-	-	997,643
Special revenue funds	-	335,145	-	10	84,473	419,628
Total fund balances	997,643	335,145	-	10	84,473	1,417,271
Total liabilities and fund balances	\$ 1,117,869	335,145	152,074	172,531	155,693	1,933,312

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, 2009

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

Total fund balance - governmental funds	\$ 1,417,271
Accrued compensated absences not payable from current revenues.	(6,903)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,421,540
Long-term notes payable are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(107,143)</u>
Net assets - governmental activities	<u><u>\$ 3,724,765</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, 2009

	General	Street	NMDOT Grip Project	Senior Citizen Center	Nonmajor Governmental Funds	Total
Revenues						
Taxes	\$ 401,231	24,485	-	-	10,869	436,585
From local governments						
Grants	291,932	-	-	369,658	115,058	776,648
Licenses, permits, fees and fines	5,635	-	-	-	-	5,635
Interest	1,081	-	-	-	136	1,217
Rents and royalties	4,200	-	-	-	-	4,200
Other	3,865	-	-	-	14,462	18,327
Total revenues	707,944	24,485	-	369,658	140,525	1,242,612
Expenditures						
Current						
General government	465,971	-	-	-	2,522	468,493
Public safety	-	-	-	-	47,808	47,808
Highways and streets	-	8,344	-	-	1,054	9,398
Health and welfare	60,000	-	-	-	11,254	71,254
Debt service - principal	21,428	-	-	-	-	21,428
Capital outlay	5,325	-	82,665	665,709	89,768	843,467
Total expenditures	552,724	8,344	82,665	665,709	152,406	1,461,848
Excess (deficiency) of revenues over expenditures before other financings sources	155,220	16,141	(82,665)	(296,051)	(11,881)	(219,236)
Other Financing Sources						
Transfers in: General obligation	-	-	-	296,061	-	296,061
Transfers in: Severance tax appropriation	-	-	82,665	-	-	82,665
Total other financing sources	-	-	82,665	296,061	-	378,726
Net change in fund balances	155,220	16,141	-	10	(11,881)	159,490
Fund balance, beginning	842,423	319,004	-	-	96,354	1,257,781
Fund balance, end of year	\$ 997,643	335,145	-	10	84,473	1,417,271

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, 2009

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

Net changes in fund balances - governmental funds **\$ 159,490**

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	(102,819)	
Capital outlay	843,467	
Excess of capital outlay over depreciation expense		740,648

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	21,428
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Losses on the disposal of capital assets are recorded as losses in the statement of net assets, but not the statement of revenues, expenditures, and changes in fund balances - governmental funds	(47,185)
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Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.	(1,473)

Change in net assets - governmental activities	\$ 872,908

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 398,617	398,617	408,680	10,063
From local governments				
Grants	260,000	260,000	305,221	45,221
Licenses, permits, fees and fines	20,554	20,554	5,635	(14,919)
Interest	2,200	2,200	1,081	(1,119)
Rents and royalties	6,000	6,000	4,200	(1,800)
Other	3,000	3,000	3,865	865
Total revenues	690,371	690,371	728,682	38,311
Expenditures				
General government	540,886	540,886	387,968	152,918
Health and welfare	60,000	60,000	45,000	15,000
Debt service - principal	76,248	76,248	21,428	54,820
Capital outlay	89,485	89,485	5,325	84,160
Total expenditures	766,619	766,619	459,721	306,898
(Deficiency) excess of revenues over expenditures	(76,248)	(76,248)	268,961	345,209
Other financing sources (uses)				
Proceeds from long-term debt	21,248	21,248	-	21,248
Operating transfers in	(53,512)	(53,512)	-	53,512
Total other financing uses	(53,512)	(53,512)	-	53,512
Net change in fund balance	(129,760)	(129,760)	268,961	398,721
Fund balance, beginning of year	842,423	842,423	842,423	-
Fund balance, end of year	\$ 712,663	712,663	1,111,384	398,721
Non-GAAP change in fund balance			\$ 268,961	
Change in:				
Taxes receivable			(7,449)	
Grants receivable			(13,289)	
Accounts payable			(96,041)	
Accrued compensation and benefits			3,038	
GAAP change in fund balance			<u>\$ 155,220</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Gasoline taxes	\$ 20,000	20,000	17,842	(2,158)
From local governments				
Grants	-	-	69,408	69,408
Other	1,000	1,000	-	(1,000)
Total revenues	21,000	21,000	87,250	67,250
Expenditures				
Highways and streets	21,000	21,000	8,344	12,656
Total expenditures	21,000	21,000	8,344	12,656
Net change in fund balance	-	-	78,906	79,906
Fund balance, beginning of year	319,004	319,004	319,004	-
Fund balance, end of year	\$ 319,004	319,004	397,910	79,906
Non-GAAP change in fund balance			\$ 78,906	
Change in:				
Accounts receivable			6,643	
Grants receivable			(69,408)	
GAAP change in fund balance			<u>\$ 16,141</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)
NMDOT GRIP PROJECT FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
From local governments				
Grants	\$ -	150,000	-	(150,000)
Total revenues	-	150,000	-	(150,000)
Expenditures				
Capital Outlay	500,000	650,000	13,257	636,743
Total expenditures	500,000	650,000	13,257	636,743
Excess of revenues over expenditures	(500,000)	(500,000)	(13,257)	486,743
Other financing sources (uses)				
Transfers in: Severance tax appropriation	500,000	500,000	(69,409)	636,743
Total other financing sources	500,000	500,000	(69,409)	636,743
Net change in fund balance	-	-	(82,666)	1,123,486
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	-	(82,666)	1,123,486
Prior year cash appropriated			82,666	
			-	
Non-GAAP change in fund balance			\$ (82,666)	
Change in:				
Due from other state agencies			152,074	
Accounts payable			(69,408)	
GAAP change in fund balance			\$ -	

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)
SENIOR CITIZEN CENTER FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From local governments				
Grants	\$ -	-	360,000	360,000
Total revenues	-	-	360,000	360,000
Expenditures				
Capital Outlay	1,451,380	1,451,380	521,477	929,903
Total expenditures	1,451,380	1,451,380	521,477	929,903
Excess of revenues over expenditures	(1,451,380)	(1,451,380)	(161,477)	1,289,903
Other financing sources (uses)				
Transfers in: General obligation	1,451,380	1,451,380	174,160	(1,277,220)
Total other financing sources	1,451,380	1,451,380	174,160	(1,277,220)
Net change in fund balance	-	-	12,683	12,683
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	-	12,683	12,683
Non-GAAP change in fund balance			\$ 12,683	
Change in:				
Grant receivable			9,658	
Due from other state agencies			121,901	
Accounts payable			(144,232)	
GAAP change in fund balance			\$ 10	

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

VILLAGE OF PECOS, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2009

	Waste Water	Water	Housing Authority	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 277,564	191,808	24,382	493,754
Cash and cash equivalents - restricted	-	-	6,426	6,426
Accounts receivable, net of allowance	12,188	23,461	187	35,836
Grant receivable	-	71,411	-	71,411
Inventory	-	-	15,557	15,557
Prepaid expenses	-	-	6,414	6,414
Total current assets	289,752	286,680	52,966	629,398
Capital Assets				
Land	-	11,248	14,400	25,648
Water rights	-	238,636	-	238,636
Construction work in progress	1,474,302	-	-	1,474,302
Buildings and improvements	-	701,594	1,401,264	2,102,858
Equipment	49,389	267,845	99,319	416,553
Infrastructure	196,135	356,006	-	552,141
Accumulated depreciation	(93,377)	(906,248)	(768,091)	(1,767,716)
Total capital assets, net of accumulated depreciation	1,626,449	669,081	746,892	3,042,422
Total assets	\$ 1,916,201	955,761	799,858	3,671,820
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 1,371	14,221	8,600	24,192
Accrued compensation and benefits	4,173	6,454	1,104	11,731
Interest payable	-	9,325	-	9,325
Deposits payable	-	26,433	6,426	32,859
Compensated absences	-	3,691	-	3,691
Loans payable - current	-	1,079	-	1,079
Bonds payable - current	-	17,000	-	17,000
Due to other funds	72,591	250,448	-	323,039
Total current liabilities	78,135	328,651	16,130	422,916
Noncurrent Liabilities				
Loans payable	-	51,178	-	51,178
Bonds payable	-	286,096	-	286,096
Total noncurrent liabilities	-	337,274	-	337,274
Total liabilities	78,135	665,925	16,130	760,190
Net Assets				
Invested in capital assets, net of related debt	1,626,449	313,728	746,892	2,687,069
Unrestricted	211,617	(23,892)	36,836	224,561
Total net assets	1,838,066	289,836	783,728	2,911,630
Total liabilities and net assets	\$ 1,916,201	955,761	799,858	3,671,820

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, 2009**

	Waste Water	Water	Housing Authority	Total
Operating Revenues				
Sales, services and rents	\$ 98,833	197,637	97,616	394,086
Operating grants	-	-	95,970	95,970
Total operating revenues	<u>98,833</u>	<u>197,637</u>	<u>193,586</u>	<u>490,056</u>
Operating Expenses				
Operating expenses	56,914	266,252	203,521	526,687
Depreciation	6,410	23,524	48,870	78,804
Total operating expenses	<u>63,324</u>	<u>289,776</u>	<u>252,391</u>	<u>605,491</u>
Operating Loss	<u>35,509</u>	<u>(92,139)</u>	<u>(58,805)</u>	<u>(115,435)</u>
Nonoperating Revenues (Expenses)				
From local governments				
Grant income	-	71,411	53,334	124,745
Transfers in: Severance tax appropriation	551,401	-	-	551,401
Interest income	245	542	340	1,127
Interest expense	-	(17,239)	-	(17,239)
Other income	-	4,604	-	4,604
Total nonoperating revenues (expenses)	<u>551,646</u>	<u>59,318</u>	<u>53,674</u>	<u>664,638</u>
Net income (loss)	<u>587,155</u>	<u>(32,821)</u>	<u>(5,131)</u>	<u>549,203</u>
Net assets, beginning of year	<u>1,250,911</u>	<u>322,657</u>	<u>788,859</u>	<u>2,362,427</u>
Net assets, end of year	<u>\$ 1,838,066</u>	<u>289,836</u>	<u>783,728</u>	<u>2,911,630</u>

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, 2009

	Waste Water	Water	Housing Authority	Total
Cash Flows From Operating Activities				
Cash received from customers, tenants	\$ 99,256	198,151	194,536	491,943
Cash payments to vendors and employees	(119,102)	(256,280)	(214,032)	(589,414)
Net cash provided (used) by operating activities	(19,846)	(58,129)	(19,496)	(97,471)
Cash Flows From Noncapital and Related Financing Activities				
Change in due to/from account	67,861	255,178	-	323,039
Other income	-	4,604	-	4,604
Net cash (used) provided by noncapital financing activities	67,861	259,782	-	327,643
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(551,401)	(89,577)	(58,192)	(699,170)
Grant received	229,304	-	53,334	282,638
Transfer in: Severance tax appropriation	551,401	-	-	551,401
Principle payment on bonds	-	(14,900)	-	(14,900)
Principle payment on loans	-	(32,045)	-	(32,045)
Interest payment on bonds and loans	-	(18,281)	-	(18,281)
Net cash provided (used) by capital and related financing activities	229,304	(154,803)	(4,858)	69,643
Cash Flows From Investing Activities				
Interest income	245	542	340	1,127
Net cash provided by investing activities	245	542	340	1,127
Net increase in cash	277,564	47,392	(24,014)	300,942
Cash, beginning of year	-	144,416	54,822	199,238
Cash, end of year	\$ 277,564	191,808	30,808	500,180

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, 2009**

	Waste Water	Water	Housing Authority	Total
Operating loss	\$ 35,509	(92,139)	(58,805)	(115,435)
Adjustments to reconcile operating income to net cash flows:				
Depreciation expense	6,410	23,524	48,870	78,804
Changes in assets and liabilities:				
Accounts receivable	423	514	180	1,117
Prepaid expenses	-	-	(6,414)	(6,414)
Inventory	-	-	(2,556)	(2,556)
Accounts payable	(63,532)	9,939	(115)	(53,708)
Accrued expenses	1,344	2,026	30	3,400
Compensated absences	-	(1,993)	(1,552)	(3,545)
Deposits payable	-	-	1,318	1,318
Prepaid tenant rent	-	-	(452)	(452)
Net cash provided (used) by operating activities	\$ (19,846)	(58,129)	(19,496)	(97,471)

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
June 30, 2009

ASSETS

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

LIABILITIES

Due to other entities	\$ (4,680)
Due to other funds	4,730
Total liabilities	<u><u>\$ 50</u></u>

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

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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.

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, 2009

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 government 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 resources as they are recorded.

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 10th and April 10th. 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, 2009

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 reports 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 – is 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. Funding is also provided by the New Mexico Department of Transportation Cooperative Agreement Grant per 6-21-6, 12 NMSA 1978.

NMDOT Grip Project – is a special revenue fund used to account for acquisition of rights of way, planning, design, and reconstruction, of roadway drainage and paving improvements to Camino Lomita Street. Funding is provided by the New Mexico Department of Transportation Cooperative Agreement Grant per 6-21-6, 12 NMSA 1978. Funding is also provided by the New Mexico Finance Authority per 6-21-1, NMSA 1978.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Senior Citizen Center – is a special revenue fund used to equip, construct and furnish the Pecos Senior Center. Funding is provided by the New Mexico Aging and Long-Term Services Department. Funding is also provided by the Department of Finance, State of New Mexico per Title I of the Housing and Community Development Act.

Proprietary funds are accounted for on the flow of 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:

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.

**VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

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

A. Financial Reporting Entity (Continued)

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.

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 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, 2009

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, 2009

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, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Cash Flows

For purposes of the Statement of Cash Flows, the various 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, 2009

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 INVESTMENTS

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, 2009, the Village's bank balance total of \$1,571,026 was exposed to credit risk in the amount of \$1,253,926 as follows:

Uninsured and collateral held by pledging bank's trust department or agent but not in the Village's name	<u>\$ 1,145,000</u>
Uninsured and uncollateralized	<u>\$ 108,926</u>

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Village is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$250,000 in FDIC coverage available to individual depositors. The Village is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

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, 2009

NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS

Accounts receivable represents billings for waste water and water fees, and for uncollected rents. It is management’s policy to cut off waste water and water service 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, 2009:

	Waste Water	Water
Accounts receivable	\$ 13,390	25,768
Allowance for uncollectible accounts	<u>(1,202)</u>	<u>(2,307)</u>
	<u>\$ 12,188</u>	<u>23,461</u>

Accounts receivable for the housing authority is \$187 net of allowance of \$200 at June 30, 2009.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Transfers	Adjustments	Ending Balance
Governmental Activities						
Capital assets, not depreciated:						
Land	\$ 84,475	-	-	-	-	84,475
Construction in process	201,989	748,374	(12,341)	(9,138)	-	928,884
Total, not depreciated	\$ 286,464	748,374	(12,341)	(9,138)	-	1,013,359
Capital assets, depreciated:						
Buildings and improvements	\$ 1,433,999	5,325	(163,657)	9,138	-	1,284,805
Equipment	620,525	89,768	(27,972)	-	-	682,321
Total, depreciated	2,054,524	95,093	(191,629)	9,138	-	1,967,126
Accumulated depreciation for:						
Buildings and improvements	335,174	29,318	(144,997)	-	-	219,495
Equipment	277,737	73,501	(11,788)	-	-	339,450
Total accumulated depreciation	612,911	102,819	(156,785)	-	-	558,945
Total capital assets, depreciated, net	\$ 1,441,613	(7,726)	(34,844)	9,138	-	1,408,181
Total capital assets, net	\$ 1,728,077	740,648	(47,185)	-	-	2,421,540

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

Governmental activities

General government	\$ 51,259
Public safety	51,560
Total depreciation expense	\$ 102,819

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4. CAPITAL ASSETS (CONTINUED)

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

	Beginning Balance	Additions	Deletions	Transfers	Adjustments	Ending Balance
Business-type Activities						
Capital assets, not depreciated:						
Land	\$ 25,648	-	-	-	-	25,648
Water rights	238,636	-	-	-	-	238,636
Construction in process	922,901	551,401	-	-	-	1,474,302
Total, not depreciated	\$ 1,187,185	551,401	-	-	-	1,738,586
Capital assets, depreciated:						
Buildings and improvements	\$ 2,042,983	54,549	-	5,326	-	2,102,858
Equipment	343,138	74,416	-	(1,001)	-	416,553
Infrastructure	531,662	18,804	-	(4,325)	-	546,141
Total, depreciated	2,917,783	147,769	-	-	-	3,065,552
Accumulated depreciation for:						
Buildings and improvements	1,345,765	41,660	-	-	-	1,387,425
Equipment	238,143	23,497	-	-	-	261,640
Infrastructure	105,004	13,647	-	-	-	118,651
Total accumulated depreciation	1,688,912	78,804	-	-	-	1,767,716
Total capital assets, depreciated, net	\$ 1,228,871	68,965	-	-	-	1,297,836
Total capital assets, net	\$ 2,416,056	620,366	-	-	-	3,036,422

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2009, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 5,430	5,137	(3,664)	6,903	6,903
Notes payable	<u>128,571</u>	-	(21,428)	107,143	21,429
Total	<u>\$ 134,001</u>	<u>5,137</u>	<u>(25,092)</u>	114,046	<u>28,332</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, 2009:

Consulting and auditing loan for \$150,000, non-interest bearing, payments of \$21,429 annually in June, maturing June 30, 2014	<u>\$ 107,143</u>
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VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 21,429	-	21,429
2011	21,429	-	21,429
2012	21,429	-	21,429
2013	21,429	-	21,429
2014	21,427	-	21,427
	<u>\$ 107,143</u>	<u>-</u>	<u>107,143</u>

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

	Beginning Balance	Adjustments and Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 5,684	3,631	(5,624)	3,691	3,691
Notes payable	84,302	-	(32,045)	52,257	16,718
Bonds payable	<u>317,996</u>	<u>-</u>	<u>(14,900)</u>	303,096	17,000
Total	<u>\$ 407,982</u>	<u>3,631</u>	<u>(52,569)</u>	359,044	<u>37,409</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, 2009:

Water supply construction loan for \$162,111, interest at 2%, payments of \$16,596 annually in January, maturing January 1, 2012	\$ 32,196
Rural Infrastructure loan for \$25,000, interest at 3%, payments of \$1,680 annually in June, maturing June 14, 2024	<u>20,061</u>
Total loans payable	<u>\$ 52,257</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,079	602	1,681
2011	17,063	1,214	18,277
2012	17,389	862	18,251
2013	1,179	502	1,681
2014	1,214	466	1,680
2015 to 2019	6,638	1,764	8,402
2020 to 2024	7,695	706	8,401
	<u>\$ 52,257</u>	<u>6,116</u>	<u>58,373</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
2010	\$ 17,000	15,576	32,576
2011	14,000	14,709	28,709
2012	15,100	13,991	29,091
2013	16,200	13,217	29,417
2014	16,300	12,386	28,686
2015 to 2019	98,100	48,231	146,331
2020 to 2024	122,396	20,044	142,440
2025	4,000	200	4,200
	<u>\$ 303,096</u>	<u>138,354</u>	<u>441,450</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 7. INTERFUND BALANCES

Interfund balances at June 30, 2009 consisted of the following amounts:

Due to general fund from:	
Waste water fund	\$ 72,591
Water fund	250,448
NMDOT grip project fund	7,160
Senior citizen center fund	28,289
Nonmajor governmental funds	58,252
Agency fund	<u>4,730</u>
Total due to general fund	<u>\$ 421,470</u>
Due to street fund from:	
NMDOT grip project fund	<u>\$ 69,408</u>
Due from NMDOT fund to:	
General fund	7,160
Street fund	<u>69,408</u>
Total due from NMDOT fund	<u>\$ 76,568</u>
Due from senior citizen center fund to:	
General fund	<u>\$ 28,289</u>

Interfund balances were caused by the General fund and Street 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, 2009

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, 2009, 2008 and 2007 were \$44,061, \$38,351, and \$29,506, 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, 2009

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, 2009, 2008, and 2007, the Village remitted \$2,879, \$2,502, and \$3,108, respectively, in employer contributions to the Retiree Health Care Authority.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 Village has received the following special appropriations:

	Original Appropriation	Expended	Appropriation Period
08-L-G-110 Operational expenses of the fire department	\$ 9,300	9,300	2009
08-L-G-442 To purchase maintenance and road equipment	\$ 20,000	10,038	2009 – 2010
09-L-G-3572 To purchase a backhoe	\$ 50,000	50,000	2009 - 2012
09-L-G-3573 To purchase equipment and vehicles	\$ 25,000	21,411	2009 - 2011
Pass Thru Appropriation from the New Mexico Aging and Long-Term Services Department Contract No. 2005-216 Construction of a senior center	\$ 556,380	303,506	2005 – 2009

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 13. SPECIAL APPROPRIATIONS (CONTINUED)

Pass Thru Appropriation from the New Mexico Aging and Long-Term Services
 Department Contract No. 2007-2429

Construction of a senior center	\$ 495,000	2,709	2007 – 2010
 SAP-04-0209-STB Waste water facility and system improvements	 \$ 1,000,000	 1,000,000	 2004 – 2009
 SAP-05-1146-GF Waste water facility and system improvements	 \$ 500,000	 413,925	 2007 - 2010
 SAP-06-1207-GF Waste water facility and System improvements	 \$ 400,000	 60,377	 2007 – 2010
 SAP-07-4548-GF Purchase water meters	 \$ 50,000	 -	 2008 – 2011
 SAP-08-3912-GF Waste water facility and System improvements	 <u>\$ 10,000</u>	 <u>-</u>	 2009 – 2012
 Total	 <u>\$ 3,115,680</u>	 <u>1,871,266</u>	

None of the above appropriations were encumbered at year-end. As of the date of the audit report, \$1,244,414 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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 14. CONTINGENCIES (CONTINUED)

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, 2009, management estimates that no material liabilities will result from such audits.

NOTE 15. DEFICIT FUND BALANCE

The Village had a deficit fund balance of \$23,730 in the Law Enforcement Protection fund, \$1,557 in the Paving/Municipal Parking Lot fund, \$9,293 in the Water Meter Installation fund, and \$9,765 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.

VILLAGE OF PECOS, NEW MEXICO
NONMAJOR FUNDS
June 30, 2009

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. 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.

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.

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

Water Meter Installation. To account for the revenues and expenditures relating to the installation of commercial and residential water meters.

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

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

VILLAGE OF PECOS, NEW MEXICO
NONMAJOR FUNDS
June 30, 2009

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, 2009**

	Special Revenue		
	Corrections	Environmental Gross Receipts Tax	Emergency Medical Services
ASSETS			
Cash	\$ 4,221	50,231	4,767
Receivables			
Taxes			
Gross receipts	-	1,505	-
Cigarette	-	-	-
Grant	-	-	-
Total assets	\$ 4,221	51,736	4,767
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	1,339
Due to other funds	-	-	-
Total liabilities	\$ -	-	1,339
FUND BALANCES			
Unreserved, undesignated, special revenues			
Special revenue funds	\$ 4,221	51,736	3,428
Total fund balances	4,221	51,736	3,428
Total liabilities and fund balances	\$ 4,221	51,736	4,767

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Emergency 911	Fire Protection	Law Enforcement Protection
ASSETS			
Cash	\$ 3,659	26,141	-
Receivables			
Taxes			
Gross receipts	-	-	-
Cigarette	-	-	-
Grant	-	9,300	-
Total assets	\$ 3,659	35,441	-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	2,336	-
Due to other funds	-	-	23,730
Total liabilities	\$ -	2,336	23,730
FUND BALANCES			
Unreserved, undesignated, special revenues			
Special revenue funds	\$ 3,659	33,105	(23,730)
Total fund balances	3,659	33,105	(23,730)
Total liabilities and fund balances	\$ 3,659	35,441	-

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Special Revenue		
	Recreation	Building Demolition and Park	Paving Municipal Parking Lot
ASSETS			
Cash	\$ 7,932	22,766	-
Receivables			
Taxes			
Gross receipts	-	-	-
Cigarette	171	-	-
Grant	-	-	-
Total assets	\$ 8,103	22,766	-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Due to other funds	-	-	1,557
Total liabilities	\$ -	-	1,557
FUND BALANCES			
Unreserved, undesignated, special revenues			
Special revenue funds	\$ 8,103	22,766	(1,557)
Total fund balances	8,103	22,766	(1,557)
Total liabilities and fund balances	\$ 8,103	22,766	-

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Water Meter Installation	Computer Technology	GIS Mapping
ASSETS			
Cash	\$ -	25,000	-
Receivables			
Taxes			
Gross receipts	-	-	-
Cigarette	-	-	-
Grant	-	-	-
Total assets	\$ -	25,000	-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 9,293	-	-
Due to other funds	-	25,000	7,965
Total liabilities	\$ 9,293	25,000	7,965
FUND BALANCES			
Unreserved, undesignated, special revenues			
Special revenue funds	\$ (9,293)	-	(7,965)
Total fund balances	(9,293)	-	(7,965)
Total liabilities and fund balances	\$ -	25,000	-

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Road Equipment	Total Special Revenue	EDA Capital Project
ASSETS			
Cash	\$ -	144,717	-
Receivables			
Taxes			
Gross receipts	-	1,505	-
Cigarette	-	171	-
Grant	-	9,300	-
Total assets	\$ -	155,693	-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	12,968	-
Due to other funds	-	58,252	-
Total liabilities	\$ -	71,220	-
FUND BALANCES			
Unreserved, undesignated, special revenues			
Special revenue funds	\$ -	84,473	-
Total fund balances	-	84,473	-
Total liabilities and fund balances	\$ -	155,693	-

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2009**

	Total Nonmajor
ASSETS	
Cash	\$ 144,717
Receivables	
Taxes	
Gross receipts	1,505
Cigarette	171
Grant	9,300
Total assets	<u><u>\$ 155,693</u></u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 12,968
Due to other funds	58,252
Total liabilities	<u><u>\$ 71,220</u></u>
 FUND BALANCES	
Unreserved, undesignated, special revenues	
Special revenue funds	\$ 84,473
Total fund balances	<u><u>84,473</u></u>
 Total liabilities and fund balances	 <u><u>\$ 155,693</u></u>

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2009**

	Special Revenue		
	Corrections	Environmental Gross Receipts Tax	Emergency Medical Services
Revenues			
Taxes	\$ -	7,714	-
Interest	-	-	-
Grant	-	-	11,655
Other	-	-	-
Total revenues	-	7,714	11,655
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	8,796
Health and welfare	-	1,961	-
Highways and streets	-	-	-
Capital outlay	-	-	-
Total expenditures	-	1,961	8,796
Excess of revenues over expenditures	-	5,753	2,859
Net change in fund balances	-	5,753	2,859
Fund balance, beginning	4,221	45,983	569
Fund balance, end of year	\$ 4,221	51,736	3,428

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2009**

	Emergency 911	Fire Protection	Law Enforcement Protection
Revenues			
Taxes	\$ -	-	-
Interest	-	132	-
Grant	-	73,245	20,120
Other	-	-	14,462
	<hr/>		
Total revenues	-	73,377	34,582
	<hr/>		
Expenditures			
Current			
General government	-	-	-
Public safety	-	36,752	2,260
Health and welfare	-	-	-
Highways and streets	-	-	-
Capital outlay	-	48,500	31,230
	<hr/>		
Total expenditures	-	85,252	33,490
	<hr/>		
Excess of revenues over expenditures	-	(11,875)	1,092
	<hr/>		
Net change in fund balances	-	(11,875)	1,092
	<hr/>		
Fund balance, beginning	3,659	44,980	(24,822)
	<hr/>		
Fund balance, end of year	\$ 3,659	33,105	(23,730)
	<hr/> <hr/>		

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2009**

	Special Revenue		
	Recreation	Building Demolition and Park	Paving Municipal Parking Lot
Revenues			
Taxes	\$ 3,155	-	-
Interest	4	-	-
Grant	-	-	-
Other	-	-	-
	<hr/>		
Total revenues	3,159	-	-
	<hr/>		
Expenditures			
Current			
General government	2,338	-	-
Public safety	-	-	-
Health and welfare	-	-	-
Highways and streets	-	-	-
Capital outlay	-	-	-
	<hr/>		
Total expenditures	2,338	-	-
	<hr/>		
Excess of revenues over expenditures	821	-	-
	<hr/>		
Net change in fund balances	821	-	-
	<hr/>		
Fund balance, beginning	7,282	22,766	(1,557)
	<hr/>		
Fund balance, end of year	\$ 8,103	22,766	(1,557)
	<hr/> <hr/>		

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2009**

	Water Meter Installation	Computer Technology	GIS Mapping
Revenues			
Taxes	\$ -	-	-
Interest	-	-	-
Grant	-	-	-
Other	-	-	-
Total revenues	-	-	-
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Health and welfare	9,293	-	-
Highways and streets	-	-	1,054
Capital outlay	-	-	-
Total expenditures	9,293	-	1,054
Excess of revenues over expenditures	(9,293)	-	(1,054)
Net change in fund balances	(9,293)	-	(1,054)
Fund balance, beginning	-	-	(6,911)
Fund balance, end of year	\$ (9,293)	-	(7,965)

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2009**

	Road Equipment	Total Special Revenue	EDA Capital Project
Revenues			
Taxes	\$ -	10,869	-
Interest	-	136	-
Grant	10,038	115,058	-
Other	-	14,462	-
	<hr/>		
Total revenues	10,038	140,525	-
	<hr/>		
Expenditures			
Current			
General government	-	2,338	184
Public safety	-	47,808	-
Health and welfare	-	11,254	-
Highways and streets	-	1,054	-
Capital outlay	10,038	89,768	-
	<hr/>		
Total expenditures	10,038	152,222	184
	<hr/>		
Excess of revenues over expenditures	-	(11,697)	(184)
	<hr/>		
Net change in fund balances	-	(11,697)	(184)
	<hr/>		
Fund balance, beginning	-	96,170	184
	<hr/>		
Fund balance, end of year	\$ -	84,473	-
	<hr/> <hr/>		

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2009**

	Total Non-major
Revenues	
Taxes	\$ 10,869
Interest	136
Grant	115,058
Other	<u>14,462</u>
Total revenues	<u>140,525</u>
Expenditures	
Current	
General government	2,522
Public safety	47,808
Health and welfare	11,254
Highways and streets	1,054
Capital outlay	<u>89,768</u>
Total expenditures	<u>152,406</u>
Excess of revenues over expenditures	<u>(11,881)</u>
Net change in fund balances	(11,881)
Fund balance, beginning	<u>96,354</u>
Fund balance, end of year	<u><u>\$ 84,473</u></u>

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2009

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

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, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Municipal taxes	\$ 9,900	9,900	7,961	(1,939)
Miscellaneous	-	-	-	-
Total revenues	9,900	9,900	7,961	(1,939)
Expenditures				
Health and welfare	9,900	9,900	1,961	7,939
Total expenditures	9,900	9,900	1,961	7,939
Net change in fund balance	-	-	6,000	6,000
Fund balance, beginning of year	45,983	45,983	45,983	-
Fund balance, end of year	\$ 45,983	45,983	51,983	6,000
Non-GAAP change in fund balance			6,000	
Change in:				
Accounts receivable			(247)	
GAAP change in fund balance			<u>\$ 5,753</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
EMERGENCY MEDICAL SERVICES FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 18,200	18,200	11,655	(6,545)
Other	-	-	-	-
Total revenues	18,200	18,200	11,655	(6,545)
Expenditures				
Public safety	18,200	18,200	7,457	10,743
Capital outlay	-	-	-	-
Total expenditures	18,200	18,200	7,457	10,743
Net change in fund balance	-	-	4,198	4,198
Fund balance, beginning of year	569	569	569	-
Fund balance, end of year	\$ 569	569	4,767	4,198
Non-GAAP change in fund balance			4,198	
Change in:				
Accounts payable			(1,339)	
GAAP change in fund balance			<u>\$ 2,859</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
EMERGENCY 911
Year Ended June 30, 2009

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From local governments				
Grants	\$ 90,000	109,300	63,945	(45,355)
Interest income	500	500	132	(368)
Total revenues	90,500	109,800	64,077	(45,723)
Expenditures				
Public safety	40,500	40,500	37,039	3,461
Capital outlay	50,000	69,300	48,500	20,800
Total expenditures	90,500	109,800	85,539	24,261
Net change in fund balance	-	-	(21,462)	(21,462)
Fund balance, beginning of year	44,980	44,980	44,980	-
Fund balance, end of year	\$ 44,980	44,980	23,518	(21,462)
Non-GAAP change in fund balance			\$ (21,462)	
Change in:				
Grants receivable			9,300	
Accounts payable			287	
GAAP change in fund balance			<u>\$ (11,875)</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)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From local governments				
Grants	\$ 20,000	20,000	20,120	120
Other income	-	14,583	14,462	(121)
Total revenues	20,000	34,583	34,582	(1)
Expenditures				
Public safety	20,000	20,000	2,260	17,740
Capital outlay	-	14,583	31,230	(16,647)
Total expenditures	20,000	34,583	33,490	1,093
Net change in fund balance	-	-	1,092	1,092
Fund balance, beginning of year	(31,815)	(31,815)	(24,822)	-
Fund balance, end of year	(31,815)	(31,815)	(23,730)	1,092
Prior year cash appropriated	31,815	31,815	23,730	
	\$ -	-	-	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Cigarette tax	\$ 1,000	2,825	3,207	382
Interest	20	20	4	(16)
Other	500	500	-	(500)
Total revenues	<u>1,520</u>	<u>3,345</u>	<u>3,211</u>	<u>(134)</u>
Expenditures				
Culture and recreation	1,520	3,345	2,338	1,007
Total expenditures	<u>1,520</u>	<u>3,345</u>	<u>2,338</u>	<u>1,007</u>
Net change in fund balance	-	-	873	873
Fund balance, beginning of year	7,282	7,282	7,282	-
Fund balance, end of year	<u>\$ 7,282</u>	<u>7,282</u>	<u>8,155</u>	<u>873</u>
Non-GAAP change in fund balance			873	
Change in:				
Accounts receivable			<u>(52)</u>	
GAAP change in fund balance			<u>\$ 821</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, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	22,766	22,766	22,766	-
Fund balance, end of year	\$ 22,766	22,766	22,766	-

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
PAVING MUNICIPAL PARKING LOT
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	(1,557)	(1,557)	(1,557)	-
Fund balance, end of year	(1,557)	(1,557)	(1,557)	-
Prior year cash appropriated	1,557	1,557	1,557	
\$	-	-	-	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER METER INSTALLATION
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ 150,000	150,000	-	(150,000)
Total revenues	150,000	150,000	-	(150,000)
Expenditures				
Capital outlay	150,000	150,000	-	150,000
Total expenditures	150,000	150,000	-	150,000
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	-	-	-
Non-GAAP change in fund balance			-	
Change in:				
Accounts payable			<u>(9,293)</u>	
GAAP change in fund balance			<u>\$ (9,293)</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
COMPUTER TECHNOLOGY
Year Ended June 30, 2009

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GIS MAPPING
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ -	21,800	-	(21,800)
Total revenues	-	21,800	-	(21,800)
Expenditures				
Highways and streets	-	21,800	1,054	20,746
Total expenditures	-	21,800	1,054	20,746
Net change in fund balance	-	-	(1,054)	(1,054)
Fund balance, beginning of year	(6,911)	(6,911)	(6,911)	-
Fund balance, end of year	(6,911)	(6,911)	(7,965)	(1,054)
Prior year cash appropriated	6,911	6,911	7,965	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
ROAD EQUIPMENT
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ 20,000	20,000	10,038	(9,962)
Total revenues	20,000	20,000	10,038	(9,962)
Expenditures				
Capital outlay	20,000	20,000	10,038	9,962
Total expenditures	20,000	20,000	10,038	9,962
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	-	-	-

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WASTE WATER ENTERPRISE FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 105,000	105,000	99,256	(5,744)
Grant income	-	-	229,304	229,304
Transfers in: Severance tax appropriation	3,450,016	3,450,016	551,401	(2,898,615)
Interest	3,000	3,000	245	(2,755)
Total revenues	3,558,016	3,558,016	880,206	(2,677,810)
Expenses				
Operating	108,000	108,000	119,102	(11,102)
Capital outlay	3,450,016	3,450,016	551,401	2,898,615
Total expenditures	3,558,016	3,558,016	670,503	2,887,513
Net change in net assets	-	-	209,703	209,703
Net assets, beginning of year	458,317	458,317	1,250,911	-
Net assets, end of year	\$ 458,317	458,317	1,460,614	209,703
Non-GAAP change in fund balance			\$ 209,703	
Change in:				
Utility receivables			(423)	
Grant receivable			(229,304)	
Accounts payable			63,531	
Other accrued expenses			(1,344)	
Capital expenditures capitalized			551,401	
Non-budgeted items				
Depreciation			(6,409)	
GAAP change in net assets			\$ 587,155	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER ENTERPRISE FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Charges for services	\$ 252,875	372,126	198,151	(173,975)
Interest	150	150	542	392
Other	-	-	4,604	4,604
Total revenues	253,025	372,276	203,297	(168,979)
Expenses				
Operating	252,000	339,126	274,561	64,565
Capital outlay	-	-	89,577	(89,577)
Debt service	82,122	82,122	46,945	35,177
Total expenditures	334,122	421,248	411,083	10,165
Excess of revenues over expenditures before other financing uses	(81,097)	(48,972)	(207,786)	(158,814)
Other financing uses				
Operating transfers in	46,392	46,392	-	(46,392)
Total other financing sources	46,392	46,392	-	-
Net change in net assets	(81,097)	(48,972)	(207,786)	(158,814)
Net assets, beginning of year	322,657	322,657	322,657	-
Net assets, end of year	\$ 241,560	273,685	114,871	(158,814)
Non-GAAP change in fund balance			\$ (207,786)	
Change in:				
Accounts receivable			(514)	
Grants receivable			71,411	
Accounts payable			(9,939)	
Accrued compensation and benefits			(2,026)	
Interest payable			1,042	
Compensated absences			1,993	
Capital expenditures capitalized			89,577	
Non-budgeted items				
Debt service principal			46,945	
Depreciation			(23,524)	
GAAP change in net assets			\$ (32,821)	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
HOUSING AUTHORITY ENTERPRISE FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Intergovernmental - federal	\$ 89,000	86,000	85,317	(683)
Charges for services	97,010	95,810	97,616	1,806
Operating grants	7,556	7,556	10,653	3,097
Capital grants	56,430	56,430	53,334	(3,096)
Interest	700	700	340	(360)
Miscellaneous	-	-	-	-
Total revenues	250,696	246,496	247,260	764
Expenses				
Administration	72,282	79,182	68,765	10,417
Utilities	44,880	48,760	39,804	8,956
Maintenance	65,000	84,000	86,789	(2,789)
Capital outlay	56,430	56,430	-	56,430
General	19,810	17,230	8,163	9,067
Total expenditures	258,402	285,602	203,521	82,081
Excess of revenues over expenditures	(7,706)	(39,106)	43,739	82,845
Other financing sources (uses)				
Operating transfers in	10,000	10,000	-	(10,000)
Operating transfers out	(274)	(274)	-	274
Total other financing sources (uses)	9,726	9,726	-	(9,726)
Net change in net assets	2,020	(29,380)	43,739	73,119
Net assets, beginning of year	788,859	788,859	788,859	-
Net assets, end of year	790,879	759,479	832,598	73,119
Prior year cash appropriated	29,380	29,380	29,380	
	\$ 820,259	788,859	861,978	
Non-GAAP change in fund balance			\$ 43,739	
Non-budgeted items				
Depreciation			(48,870)	
GAAP change in net assets			\$ (5,131)	

VILLAGE OF PECOS, NEW MEXICO
AGENCY FUNDS
June 30, 2009

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, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
MOTOR VEHICLE FUND				
ASSETS				
Cash	\$ 50	370,091	370,091	50
Total assets	\$ 50	370,091	370,091	50
LIABILITIES				
Due to other entities	\$ (1,993)	370,091	372,778	(4,680)
Due to other funds	2,043	2,687	-	4,730
Total liabilities	\$ 50	372,778	372,778	50

VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2009

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Bank of Las Vegas	General Fund	Checking	\$ 1,009,377	1,007,610
Bank of Las Vegas	Fire Protection	Checking	41,165	40,165
Bank of Las Vegas	Recreation	Checking	4,136	3,136
Bank of Las Vegas	Water and Sewer Enterprise	Checking	355,591	347,837
Bank of Las Vegas	Capital Projects	Checking	25,040	25,040
Bank of Las Vegas	Payroll	Checking	8,492	3,632
Bank of Las Vegas	Pecos Housing Authority	Checking	12,435	11,477
Bank of Las Vegas	Pecos Housing Authority	Checking	1	1
Bank of Las Vegas	Pecos Housing Authority	Checking	6,426	6,426
Bank of Las Vegas	Pecos Housing Authority	Checking	12,854	12,854
Bank of Las Vegas	Water Deposit	Checking	28,409	28,257
Bank of America	Sewer Replacement Fund	Checking	11,190	11,190
Bank of America	Sewer System Repair and Replacement	Checking	6,964	6,964
Bank of America	Reserve Fund 1986	Checking	15,002	15,002
Bank of America	Water Replacement Fund	Checking	12,537	12,537
Bank of America	Joint Water and Sewer System	Checking	3,811	3,811
Del Norte Credit Union	Sewer System Reserve Fund	Checking	17,596	17,596
			<u>1,571,026</u>	<u>1,553,535</u>
Petty Cash	General Fund		-	367
Petty Cash	Utility Clerk		-	50
Petty Cash	Pecos Housing Authority		-	50
Total deposit accounts - non-agency			<u><u>\$ 1,571,026</u></u>	<u><u>1,554,002</u></u>
Agency funds cash accounts				
Petty Cash	MVD Clerk		\$ -	50
Total cash - agency funds			<u><u>\$ -</u></u>	<u><u>50</u></u>

VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2009

	Bank of Las Vegas	Bank of America	Del Norte Credit Union	Total
Deposits at June 30, 2009	\$ 1,503,926	49,504	17,596	1,571,026
Less: FDIC coverage	250,000	49,504	17,596	317,100
Uninsured public funds	1,253,926	-	-	1,253,926
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	1,145,000	-	-	1,145,000
Uninsured and uncollateralized	\$ -	-	-	-
50% pledged collateral requirement per statute	\$ 626,963	-	-	626,963
Total pledged collateral	1,145,000	-	-	1,145,000
Pledged collateral over the requirement	\$ (518,037)	-	-	(518,037)

Pledged collateral at June 30, 2009 consists of the following:

Security	CUSIP	Maturity	Par Value
UNM Valencia County, muni bond	914696CE7	8/1/2009	200,000
Gallup, McKinley County, muni bond	364010LS5	8/1/2011	500,000
Alamagordo, NM 3.50%, muni bond	01145NAL7	6/1/2013	300,000
Harris County Texas	414150MH2	9/1/2014	145,000
Total pledged collateral			\$ 1,145,000

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

VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF JOINT POWERS AGREEMENTS
June 30, 2009

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, street fund, NMDOT grip project fund, and the senior citizen center fund,, of the Village of Pecos (Village), as of and for the year ended June 30, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 6, 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, 2009, 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.

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

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, 04-8, 04-11, 08-1, 09-1 and 09-2 for the Village and 09-02 and 09-03 for the Housing Authority.

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. However, of the significant deficiencies described above, we consider item 04-11 to be a material weakness.

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, 04-6, and 04-8 for the Village, and items 01-04, and 09-02 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
September 6, 2010

VILLAGE OF PECOS, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

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	Resolved
04-8	Travel and Per Diem Disbursements	Modified and repeated
04-9	Water Deposit Liability	Resolved
04-11	Capital Asset Additions, Deletions and Inventory	Modified and repeated
08-1	Expenditures in Excess of Budget And Budget Reporting	Resolved

Housing Authority

01-04	Late Audit Report	Modified and repeated
08-01	Over Expenditure of Budget	Resolved

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

FINDINGS – FINANCIAL STATEMENTS AUDIT

04-1 Late Audit Report

CONDITION

The June 30, 2009 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 September 17, 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, 2009 report to be filed by December 1, 2009.

EFFECT

The Village is not in compliance with State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2009. 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.

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

The Village of Pecos is now current in addressing all prior year audits. Recommendations for an independent auditor for the 2009-2010 fiscal year are forthcoming.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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.

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.

EFFECT

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

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.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

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
EXIT CONFERENCE
Year Ended June 30, 2009**

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:

- One of the twenty-five customers tested was not being charged sewer tax as authorized by the water and sewer ordinance. The amount of under billing was \$1.

CRITERIA

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.

EFFECT

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.

RECOMMENDATION

The Village should review the setup of the utility billing system to ensure it is billing correctly and charging the appropriate sales tax amount to all customers. The Village should consider testing a sample of billings each month in order to ensure the utility billing system is working correctly.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-3 Utility Billing, Accounts Receivable and Internal Controls

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 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. A procedure has been implemented to ensure adjustments to accounts receivable are now being reviewed and approved.

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
EXIT CONFERENCE
Year Ended June 30, 2009**

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 four of the disbursements tested the pay rate paid to the employee did not have the pay rate documented in the employees personnel file.
- Two personnel files tested did not include an I-9 form.
- For eleven employees tested either the employees' I-9 form did not have section 2 completed, which documents the two forms of identification presented upon hire, or there was not supporting documentation on file for the forms of identification accepted.
- For two of the disbursements tested the payroll files did not include a PERA exclusion form.

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. Personnel files should be reviewed regularly to ensure required PERA forms are maintained.

As required by the Immigration Reform and Control Act of 1986, all employees, citizens and noncitizens hired after November 6, 1986 and working in the United States must complete a Form I-9.

EFFECT

It may not be possible to determine if payrates are authorized. Also the Village may not be able to provide supporting documentation of an employee's decision to be included or excluded from PERA.

The Village may not have sufficient records supporting the hire of employees.

CAUSE

The Village has inadequate procedures over the maintenance of personnel files.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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.

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
EXIT CONFERENCE
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-8 Travel and Per Diem Disbursements

CONDITION

We tested 4 travel and per diem disbursements as part of our audit. We noted the following:

- For one of the items tested, the employee was not paid a partial 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 \$40.

CRITERIA

NMAC 2.42.2.9 states where lodging and/or meals are provided or paid for by the agency, the governing body, or another entity, the employee is entitled to reimbursement only for actual expenses.

NMAC 2.42.2.8 states that on the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made.

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
EXIT CONFERENCE
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-11 Capital Asset Additions, Deletions and Inventory – MATERIAL WEAKNESS

CONDITION

The Village is not maintaining its capital asset listing. Capital assets were acquired or discarded during the year but were not added or deleted from the listing. These assets were discovered during audit testwork. Additions in the amount of \$18,805 were added to the capital asset listing for proprietary funds and disposals in the amount of \$191,629 were discarded from the capital asset listing for governmental funds.

In addition, the Village did not perform the required annual physical inventory of capital assets.

CRITERIA

Governmental Accounting Standards No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, details the requirements to track and report capital assets. The Village should be tracking capital assets.

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
EXIT CONFERENCE
Year Ended June 30, 2009**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-11 Capital Asset Inventory (Continued)

MANAGEMENT RESPONSE

A list of assets is now being obtained so that we may conduct a physical inventory and make additions and deletions as appropriate to update our asset inventory.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

09-1 Cash Disbursements and Record Retention

CONDITION

We tested 25 cash disbursements, we noted the following:

- For one of the items tested the Village could not produce supporting documentation for the disbursement.

CRITERIA

Good accounting practices dictate that supporting documentation should be retained for transactions.

EFFECT

The Village may not be able to produce supporting documentation for disbursements.

CAUSE

Inadequate record retention.

RECOMMENDATION

The Village should maintain backup for all transactions.

MANAGEMENT RESPONSE

We concur with this finding. The Village does in fact maintain supporting documentation for all transactions. As this documentation is frequently accessed by our staff for reference and reviewed by our consultants, auditors and requesting governmental agencies, invariably the documentation sometimes becomes lost. However, we will continue to be vigilant in ensuring that we maintain copies of all supporting documentation.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

09-2 Payroll Reporting

CONDITION

As part of the audit we tested salary expense using 941 reports. We noted inconsistencies in the quarterly 941 reporting of wages subject to Medicare and Social Security taxes. We noted qualified section 125 cafeteria plan wages were excluded from wages for two of the quarterly reports and was included in wages for two of the quarterly reports.

CRITERIA

Internal Revenue Service Publication 15 (Circular E) defines amounts that are includable in taxable wages and amounts that are includable in total wages.

EFFECT

Wages may have been inconsistently reported to the Internal Revenue Service, which could result in fines and penalties for underpayment of federal taxes.

CAUSE

The Village does not have sufficient training in payroll tax reporting. In addition the payroll reporting module may be set up incorrectly in the accounting software.

RECOMMENDATION

The Village should consider training in payroll tax reporting or outsourcing the payroll function to an outside company. The Village should also reconcile 941 reports to salary expense.

MANAGEMENT RESPONSE

We concur with this finding and have brought it to the attention of our financial consultant for assistance in resolving it. Additional training will be provided as required to ensure compliance with 941 and other state and federal tax reporting. In addition the village payroll staff is now thoroughly reviewing and verifying all reporting information for correctness before submission.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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

01-04 Late Audit Report

CONDITION

The Housing Authority did not submit its audit report for the year ended June 30, 2009 by the due date of December 1, 2009. The audit report was submitted to the State Auditor's office for review on May 28, 2010.

CRITERIA

The State Auditor's Rule, section 2.2.2.9 A. (1) (d), establishes the 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) deadline has 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 date of request. The auditor chosen did not receive the signed contract from the Office of the State Auditor until after it was approved on February 19, 2009. After the audit field work was completed on February 28, 2009 additional time was required by the auditor to address certain problems noted during the audit. The auditors met with personnel at the HUD office in Albuquerque and with State Auditor personnel in Santa Fe. Delays were also experienced while drafting the report and scheduling an exit conference and for the fee accountant to approve the audit adjustments and prepare the MDA&A.

RECOMMENDATION

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

MANAGEMENT RESPONSE

So as to prevent these issues from the future effective FY 09 all RFP requests have been extended to no less than a two year contract at each interval.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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

01-04 Audit Report (Continued)

MANAGEMENT RESPONSE (CONTINUED)

Our major concern is that there are not enough qualified auditors available within the State Auditors web site.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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

09-01 Over Expenditure of Budget

CONDITION

The FDS submission to HUD/REAC was not made in a timely manner, as required by 24 CFR part 5, Subpart H (Uniform Financial Reporting Standards).

CRITERIA

Audited financial statements are required to be submitted electronically through the internet, or in such other electronic format designated by HUD, or in such non-electronic format as HUD may allow, to HUD/REAC no later than nine months after the PHA's fiscal year end.

EFFECT

The Housing Authority may be designated as a troubled housing authority by HUD.

CAUSE

All parties involved in the audit contracting process acted untimely and were busy with other commitments.

RECOMMENDATION

Contracting for audit services and the required filing with HUD/REAC should be made one of the top priorities of management.

MANAGEMENT RESPONSE

All filing for REAC will be conducted in a timely manner effective immediately due to a two or three year contract thus eliminating the need to invest the time to solicit for a RFP.

Effective FY 09 all RFP have been extended to no less than a two year contract at each interval.

We send our RFP to every office listed with the State Auditors web site and even then our RFP's generate very little interest within the state of New Mexico.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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

09-02 Payment for Vacation and Sick Leave

CONDITION

Problems were noted in regard to the handling of compensated absences, sick leave and annual leave. Housing Authority employees requested, and were granted, payments for annual and sick leave in advance of these amounts being earned. Because advance payments were allowed, negative balances of 24.98 annual leave for the Executive Director; 13.96 annual leave and 7.80 sick leave for the Executive Secretary, were reflected in the payroll records of the Housing Authority at June 30, 2009. Overtime hours (hours worked in excess of 20 hours per week – the normal work week for employees) were paid at 1 ½ times normal hourly rates.

CRITERIA

Fair Labor Standards Act (FLSA) requires employees and commissioned employees to abide by each Entity's Personnel Handbook for usage of annual and sick leave.

Housing Authority's Personnel Policies (para. 13) state "Overtime is to be compensated for hours worked in excess of the standard work week by equivalent paid time off during regular working hours in the three calendar months following the overtime work".

Housing Authority Personnel Policies (para. 29) state "Emergency leave with pay may be granted for periods of time in case of serious illness in the immediate family... includes a spouse, son, daughter, mother, father, brother, sister, parent-in-law or other blood relative living under the same roof... A maximum of three days emergency leave may be granted in case of death..."

Housing Authority Personnel Policies (para. 30) states "Sick leave may be granted only for absence from duty... In case of extended illness in excess of the accumulated sick leave, annual leave may be applied to sick leave. Sick leave in excess of three days must be supported by a certificate from licensed physician".

EFFECT

The Housing Authority did not follow their Personnel Policies.

CAUSE

Misunderstanding of the Personnel Policies.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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

09-02 Payment for Vacation and Sick Leave (Continued)

RECOMMENDATION

The Housing Authority needs to follow and adhere to Personnel Policies. The Personnel Policies may need to be reviewed and changed to reflect what is allowed under current practice permitted by the Board.

MANAGEMENT RESPONSE

Reference the Personnel polices signed September 27,1993.

No. 1) The Personnel Policies of the Housing Authority of the Village of Pecos that we are and have been using since we started here in 2001 were signed on September 27, 1993. The rules and regulations within this policy have never been questioned or brought up in the past five audits leading us to believe we were in compliance.

No. 2) As for my response and procedures utilized by the Executive Director and the Executive Secretary: Personnel Polices Ref 1) The Executive Director shall interpret and enforce these rules and shall from time to time recommend to the governing body such revision as deemed necessary.

No. 3 (Sec. 13) Overtime Compensation: All regular and part time employees shall be compensated for hours worked in excess of the standard work week by equivalent paid time off during regular working hours in the three calendar months following the overtime work. The Department Head shall keep an accurate record of overtime worked and shall approve the use of compensation time off at times least disruptive to the efficient operation of the department. It shall be the joint responsibility of the Department Head and the employee to arrange that such earned time off is taken.

Due to the heightened level of responsibilities in our operation in comparison to 1993, I cannot imagine being scheduled for leave week after week. The normal work week of twenty hours generates far too many additional hours under normal circumstances.

To simply accumulate these hours and have the Secretary and or the Executive Director take time off as time allows would have this Administration Office closed far too long and cause very unscheduled hardship on the Pecos Housing Authority Operation and the needs of the tenants.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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

09-02 Payment for Vacation and Sick Leave (Continued)

MANAGEMENT RESPONSE (CONTINUED)

The Department head has maintained meticulous records of time used or accumulated and most importantly transparently worked closely with the Mayor and the Chairperson through written agreements / contracts and with signature of approval for all excess annual or sick leave used.

Ref: Section 1, The Executive Director shall interpret and enforce these Rules and Policies and shall from time to time recommend to the governing body such revisions as deemed necessary.

In addition as supportive evidence for our action being in good faith I refer to Section 28: Paid and unpaid hours of leave of absence: An employee may request either a paid or unpaid absence from duty for any variety of reasons described in the subsequent sections. To be counted as leaves rather than AWOL, the absence must be approved by the Department Head and in some cases any the governing body as well. Unapproved absences are cause for discipline.

Any changes such as a request for Emergency Leave was extremely transparent as in the format was brought to the attention approved and signed by the Chairperson and the Mayor of the Village of Pecos, New Mexico. Every hour of leave is recorded and approved and on file and not one hour between the two employees was ever left unpaid.

No. 4) The duties and responsibilities of the Executive Secretary and Executive Director has risen far beyond the responsibilities of 1993.

In the area of accumulating time off in lieu of overtime would leave this office in turmoil more often that not to the point of unacceptable performance for the administration responsibilities.

No. 5) I have been in the process of changing the Personnel Policies but have no completed it to date. I hope to have a new Personnel Policy for the Board to review and approve by the beginning of the new FY effective July 1, 2010.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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

09-03 Propane Deliveries and Consumption Schedules

CONDITION

The Housing Authority maintains records that track the purchases and consumption of propane. Because purchases of propane are measured in liquid gallons and consumption is measured in gaseous 100 cubic feet (ccf) and because the conversion of liquid gallons to ccf can be affected significantly by various other factors, auditors were unable to determine that the propane purchase was consumed properly. The Auditor met with HUD and The State Auditors Offices for review of propane schedules in question, with no resolution.

CRITERIA

Propane purchased by the Housing Authority is to be used to satisfy a legitimate Housing Authority need.

EFFECT

The possibility exists that propane purchases were greater than the amounts needed by the Housing Authority.

CAUSE

Currently the cause is inconclusive, due to not being able to determine if propane is being delivered properly and/or if the consumption figures can be converted properly to match the delivery measurements.

RECOMMENDATION

If possible, someone with expertise in propane delivery and consumption calculation should investigate this further.

MANAGEMENT RESPONSE

Once again this issue had never been brought up in this manner since 2001.

We are currently working with all resources so as to ensure that we re reading our meters correctly and using any factor necessary to ensure that the tenants are being charged correctly.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

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

09-03 Propane Deliveries and Consumption Schedules (Continued)

MANAGEMENT RESPONSE (CONTINUED)

Any finding will be implemented immediately with Policy from the Board for further reference.

Internal findings per our research:

The propane is delivered in gallons of liquid and or a gas vapor.

As an example of our finding we proved that in a two week period during the very warm season our main tank serviced 32 homes for two weeks and yet according to the master gauge we had used not one gallon.

The Housing Authority uses individual gas meters converted for propane.

These meters for each unit are read per the reading on the gauge or dial and simply minus from the previous reading to establish what the tenant may have used or owe.

We have learned that these figures or readings from a propane gas meter are not the same in any way as the propane volume going into a tank – i.e. a gallon of propane from a unit meter is actually a cubic foot of gas and not a gallon. The cubic foot of propane needs to be divided by 44 to establish a gallon reading.

With this minimal knowledge anyone can see that we have some work to do to ensure that what we receive from a transporter and what we read from tenants meters must be calculated correctly.

I am saddened that this issue was not brought to my attention was not brought up by the Auditor as early as 2001. I can only imagine how much propane we could have saved by charging the tenants correctly.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2009**

An exit conference was held on September 16, 2010, and attended by the following:

Village of Pecos, New Mexico

Tony Jose Roybal, Mayor
Joe Modesto Benavides, Council Member
Mona Quintana, Village Clerk
Arthur Varela, Interim Village Clerk

Porch & Associates LLC

Thad Porch, Managing Principal

* * * * *

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.