

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF PECOS, NEW MEXICO

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

June 30, 2011

VILLAGE OF PECOS, NEW MEXICO

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VILLAGE OF PECOS, NEW MEXICO

List of Principal Officials

June 30, 2011

Elected Officials

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

Administrative Officials

Ramona Quintana	Village Clerk
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Public Housing Authority Officials

Ricardo Valenzuela	Executive Director
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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and fire protection fund, of the Village of Pecos (Village) as of and for the year ended June 30, 2011, 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, 2011, 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, 2011 and for the year then ended, which statements reflect total assets and revenues constituting 9% and 37%, 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, 2011, 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, 2011, 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 and fire protection 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 November 18, 2011 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, 2011, 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
November 18, 2011

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,226,964	366,520	1,593,484
Investments - restricted	-	49,815	49,815
Receivables			
Taxes			
Gross receipts	51,812	-	51,812
Gasoline	4,417	-	4,417
Motor vehicle	8,376	-	8,376
Property	331	-	331
Franchise	2,873	-	2,873
Grant	-	16,774	16,774
Accounts receivable, net of allowance	-	52,964	52,964
Inventory	-	19,631	19,631
Prepaid expenses	-	5,654	5,654
Capital assets, not depreciated	84,475	347,905	432,380
Capital assets, net of accumulated depreciation	3,058,019	7,684,188	10,742,207
Total assets	4,437,267	8,543,451	12,980,718
LIABILITIES			
Accounts payable	4,731	40,521	45,252
Accrued compensation and benefits	5,802	4,933	10,735
Insurance contract payable	-	4,192	4,192
Other liabilities	-	104	104
Interest payable	-	8,217	8,217
Deposits payable	-	34,085	34,085
Noncurrent liabilities:			
Compensated absences, due in one year	6,448	2,952	9,400
Long-term liabilities, due in one year	42,857	32,488	75,345
Long-term liabilities, due in more than one year	42,857	273,723	316,580
Total liabilities	102,695	401,215	503,910
NET ASSETS			
Invested in capital assets, net of related debt	3,056,780	7,725,882	10,782,662
Restricted for debt service	-	49,815	49,815
Unrestricted	1,277,792	366,539	1,644,331
Total net assets	\$ 4,334,572	8,142,236	12,476,808

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

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	\$ 561,966	5,470	177,009	-	(379,487)	-	(379,487)
Public safety	175,281	-	203,025	-	27,744	-	27,744
Health and welfare	31,241	-	-	-	(31,241)	-	(31,241)
Total governmental activities	<u>788,455</u>	<u>5,470</u>	<u>380,034</u>	<u>-</u>	<u>(402,951)</u>	<u>-</u>	<u>(402,951)</u>
Business-type activities							
Waste water	150,142	100,183	-	-	-	(49,959)	(49,959)
Water	264,200	263,290	-	-	-	(910)	(910)
Housing authority	254,236	111,669	110,325	-	-	(32,242)	(32,242)
Total business-type activities	<u>668,578</u>	<u>475,142</u>	<u>110,325</u>	<u>-</u>	<u>-</u>	<u>(83,111)</u>	<u>(83,111)</u>
Total primary government	<u>\$ 1,457,033</u>	<u>480,612</u>	<u>490,359</u>	<u>-</u>	<u>(402,951)</u>	<u>(83,111)</u>	<u>(486,062)</u>
General Revenues							
Franchise taxes					15,284	-	15,284
Gasoline taxes					25,710	-	25,710
Gross receipts taxes					314,840	-	314,840
Property taxes					10,824	-	10,824
Motor vehicle tax					47,866	-	47,866
Transfers, net					(356,235)	356,235	-
Transfers in: General obligation					10,820	-	10,820
Other					2,199	12,965	15,164
Interest					732	680	1,412
Special items:							
Loss on the disposal of assets					-	(12,072)	(12,072)
In-kind revenue					65,000	-	65,000
Capital contribution					-	4,720,674	4,720,674
Total general revenues, special items and transfers					<u>137,040</u>	<u>5,078,482</u>	<u>5,215,522</u>
Change in net assets					<u>(265,911)</u>	<u>4,995,371</u>	<u>4,729,460</u>
Net assets, beginning of year					4,600,483	3,146,865	7,747,348
Net assets, end of year					<u>\$ 4,334,572</u>	<u>8,142,236</u>	<u>12,476,808</u>

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

**VILLAGE OF PECOS, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Fire Protection	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 752,695	41,754	432,515	1,226,964
Receivables				
Taxes				
Gross receipts	50,626	-	1,186	51,812
Gasoline	-	-	4,417	4,417
Motor vehicle	8,376	-	-	8,376
Property	331	-	-	331
Franchise	2,873	-	-	2,873
	<hr/>			
Total assets	\$ 814,901	41,754	438,118	1,294,773
	<hr/> <hr/>			
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 155	(616)	5,192	4,731
Accrued compensation and benefits	5,802	-	-	5,802
	<hr/>			
Total liabilities	5,957	(616)	5,192	10,533
	<hr/>			
FUND BALANCES				
Restricted for:				
Special revenue funds	-	42,370	364,783	407,153
Assigned to:				
Special revenue funds	-	-	68,143	68,143
Unassigned:				
General fund	808,944	-	-	808,944
	<hr/>			
Total fund balances	808,944	42,370	432,926	1,284,240
	<hr/>			
Total liabilities and fund balances	\$ 814,901	41,754	438,118	1,294,773
	<hr/> <hr/>			

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, 2011

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

Total fund balance - governmental funds	\$ 1,284,240
Accrued compensated absences not payable from current revenues.	(6,448)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,142,494
Long-term notes payable are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(85,714)</u>
Net assets - governmental activities	<u><u>\$ 4,334,572</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, 2011**

	General	Fire Protection	Nonmajor Governmental Funds	Total
Revenues				
Taxes	\$ 382,135	-	32,389	414,524
From local governments:				
Grants	202,009	142,025	36,000	380,034
Licenses, permits, fees and fines	5,470	-	-	5,470
Interest	671	58	3	732
Other	1,717	305	177	2,199
Total revenues	592,002	142,388	68,569	802,959
Expenditures				
Current				
General government	452,760	-	-	452,760
Public safety	-	104,530	21,403	125,933
Highways and streets	-	-	19,967	19,967
Health and welfare	25,000	-	6,241	31,241
Debt service - principal	21,429	-	-	21,429
Capital outlay	8,500	50,532	16,517	75,549
Total expenditures	507,689	155,062	64,128	726,879
Excess (deficiency) of revenues over expenditures before other financings sources	84,313	(12,674)	4,441	76,080
Other financing sources (uses)				
Operating transfers, in	35,646	-	49,790	85,436
Operating transfers, out	(357,755)	-	(83,916)	(441,671)
Transfers in: General obligation	-	-	10,820	10,820
Special item:				
In-kind revenue	-	65,000	-	65,000
In-kind expense	-	(65,000)	-	(65,000)
Total other financing sources (uses)	(322,109)	-	(23,306)	(345,415)
Net change in fund balances	(237,796)	(12,674)	(18,865)	(269,335)
Fund balance, beginning	1,046,740	55,044	451,791	1,553,575
Fund balance, end of year	\$ 808,944	42,370	432,926	1,284,240

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, 2011

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

Net changes in fund balances - governmental funds \$ (269,335)

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	(160,856)	
Capital outlay	<u>140,549</u>	
Excess of depreciation expense over capital outlay		(20,307)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 21,429

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. 2,302

Change in net assets - governmental activities \$ (265,911)

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 436,432	436,432	385,261	(51,171)
From local governments				
Grants	170,092	170,092	237,009	66,917
Licenses, permits, fees and fines	3,963	3,963	5,470	1,507
Interest	-	-	671	671
Other	174	174	1,717	1,543
Total revenues	610,661	610,661	630,128	19,467
Expenditures				
General government	610,661	610,661	460,652	150,009
Health and welfare	-	-	25,000	(25,000)
Debt service - principal	-	-	21,429	(21,429)
Capital outlay	-	-	8,500	(8,500)
Total expenditures	610,661	610,661	515,581	95,080
Excess (deficiency) of revenues over expenditures	-	-	114,547	114,547
Other financing sources (uses)				
Operating transfers in	-	-	165,771	165,771
Operating transfers out	(31,248)	(31,429)	(487,880)	(456,451)
Total other financing sources (uses)	(31,248)	(31,429)	(322,109)	(290,680)
Net change in fund balance	(31,248)	(31,429)	(207,562)	(176,133)
Fund balance, beginning of year	1,046,740	1,046,740	1,046,740	-
Fund balance, end of year	\$ 1,015,492	1,015,311	839,178	(176,133)
Non-GAAP change in fund balance			\$ (207,562)	
Change in:				
Taxes receivable			(3,126)	
Grants receivable			(35,000)	
Accounts payable			4,845	
Accrued compensation and benefits			3,047	
GAAP change in fund balance			\$ (237,796)	

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)
FIRE PROTECTION FUND
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From local governments				
Grants	\$ 75,495	128,720	142,025	13,305
Interest income	-	-	58	58
Other	-	-	305	305
Total revenues	75,495	128,720	142,388	13,668
Expenditures				
Public safety	115,495	115,495	105,146	10,349
Capital outlay	-	66,530	50,532	15,998
Total expenditures	115,495	182,025	155,678	26,347
Excess (deficiency) of revenues over expenditures	(40,000)	(53,305)	(13,290)	40,015
Other financing sources (uses)				
In-kind revenue	-	-	65,000	65,000
In-kind expense	-	-	(65,000)	(65,000)
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(40,000)	(53,305)	(13,290)	40,015
Fund balance, beginning of year	55,044	55,044	55,044	-
Fund balance, end of year	\$ 15,044	1,739	41,754	40,015
Non-GAAP change in fund balance			\$ (13,290)	
Change in:				
Accounts payable			616	
GAAP change in fund balance			\$ (12,674)	

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

VILLAGE OF PECOS, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2011

	Waste Water	Water	Housing Authority	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 198,053	142,930	25,537	366,520
Investments - restricted	33,482	16,333	-	49,815
Accounts receivable, net of allowance	15,168	37,662	134	52,964
Grant receivable	-	-	16,774	16,774
Inventory	-	-	19,631	19,631
Prepaid expenses	-	-	5,654	5,654
Total current assets	246,703	196,925	67,730	511,358
Capital Assets				
Land	-	11,248	14,400	25,648
Water rights	-	238,636	-	238,636
Construction work in progress	-	70,621	13,000	83,621
Buildings and improvements	6,413,313	701,594	1,453,311	8,568,218
Equipment	92,958	297,254	99,319	489,531
Infrastructure	196,135	356,006	-	552,141
Accumulated depreciation	(93,345)	(961,827)	(870,530)	(1,925,702)
Total capital assets, net of accumulated depreciation	6,609,061	713,532	709,500	8,032,093
Total assets	\$ 6,855,764	910,457	777,230	8,543,451
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 86	8,859	31,576	40,521
Accrued compensation and benefits	3,441	(1,023)	2,515	4,933
Insurance contract payable	-	-	4,192	4,192
Other liabilities	-	-	104	104
Interest payable	-	8,217	-	8,217
Deposits payable	-	26,433	7,652	34,085
Compensated absences	1,085	1,085	782	2,952
Loans payable - current	-	17,388	-	17,388
Bonds payable - current	-	15,100	-	15,100
Total current liabilities	4,612	76,059	46,821	127,492
Noncurrent Liabilities				
Loans payable	-	16,727	-	16,727
Bonds payable	-	256,996	-	256,996
Total noncurrent liabilities	-	273,723	-	273,723
Total liabilities	4,612	349,782	46,821	401,215
Net Assets				
Invested in capital assets, net of related debt	6,609,061	407,321	709,500	7,725,882
Restricted for:				
Debt service	33,482	16,333	-	49,815
Unrestricted	208,609	137,021	20,909	366,539
Total net assets	6,851,152	560,675	730,409	8,142,236
Total liabilities and net assets	\$ 6,855,764	910,457	777,230	8,543,451

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, 2011

	Waste Water	Water	Housing Authority	Total
Operating Revenues				
Sales, services, and rents	\$ 100,183	263,290	111,669	475,142
From federal sources - operating grants	-	-	110,325	110,325
Total operating revenues	<u>100,183</u>	<u>263,290</u>	<u>221,994</u>	<u>585,467</u>
Operating Expenses				
Operating expenses	144,238	218,830	202,026	565,094
Depreciation	5,904	29,254	52,210	87,368
Total operating expenses	<u>150,142</u>	<u>248,084</u>	<u>254,236</u>	<u>652,462</u>
Operating Income (Loss)	<u>(49,959)</u>	<u>15,206</u>	<u>(32,242)</u>	<u>(66,995)</u>
Nonoperating Revenues (Expenses)				
Interest income	385	289	6	680
Interest expense	-	(16,116)	-	(16,116)
Other income	-	12,965	-	12,965
Gain (loss) on disposal of assets	-	(12,072)	-	(12,072)
Total nonoperating revenues (expenses) before contributions and transfers	<u>385</u>	<u>(14,934)</u>	<u>6</u>	<u>(14,543)</u>
Transfers in	92,616	263,619	20,311	376,546
Transfers out	-	-	(20,311)	(20,311)
Capital contributions	4,720,674	-	-	4,720,674
Net income (loss)	<u>4,763,716</u>	<u>263,891</u>	<u>(32,236)</u>	<u>4,995,371</u>
Net assets, beginning of year	<u>2,087,436</u>	<u>296,784</u>	<u>762,645</u>	<u>3,146,865</u>
Net assets, end of year	<u>\$ 6,851,152</u>	<u>560,675</u>	<u>730,409</u>	<u>8,142,236</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, 2011

	Waste Water	Water	Housing Authority	Total
Cash Flows From Operating Activities				
Cash received from customers, tenants	\$ 98,852	252,163	112,696	463,711
Cash received from HUD for operations	-	-	93,551	93,551
Cash payments to vendors and employees	(143,278)	(244,746)	(188,382)	(576,406)
Net cash (used) provided by operating activities	(44,426)	7,417	17,865	(19,144)
Cash Flows From Noncapital and Related Financing Activities				
Change in due to/from account	(78,018)	(213,283)	-	(291,301)
Other income	-	12,965	-	12,965
Transfers, net	92,616	263,619	-	356,235
Net cash provided by noncapital financing activities	14,598	63,301	-	77,899
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(43,569)	(36,357)	(13,000)	(92,926)
Principle payment on loans	-	(1,111)	-	(1,111)
Principle payment on bonds	-	(14,000)	-	(14,000)
Interest payment on bonds and loans	-	(15,277)	-	(15,277)
Net cash used by capital and related financing activities	(43,569)	(66,745)	(13,000)	(123,314)
Cash Flows From Investing Activities				
Interest income	385	289	6	680
Net cash provided by investing activities	385	289	6	680
Net change in cash and cash equivalents	(73,012)	4,262	4,871	(63,879)
Cash and cash equivalents, beginning of year	304,547	155,001	20,666	480,214
Cash and cash equivalents, end of year	\$ 231,535	159,263	25,537	416,335

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, 2011

	Waste Water	Water	Housing Authority	Total
Operating income (loss)	\$ (49,959)	15,206	(32,242)	(66,995)
Adjustments to reconcile operating income to net cash flows:				
Depreciation expense	5,904	29,254	52,210	87,368
Allowance for doubtful accounts	-	-	(200)	(200)
Changes in assets and liabilities:				
Accounts receivable	(1,331)	(11,126)	125	(12,332)
Prepaid expenses	-	-	49	49
Inventory	-	-	(8,533)	(8,533)
Accounts payable	(323)	(14,299)	5,704	(8,918)
Insurance contract payable	-	-	685	685
Accrued expenses	1,283	(8,846)	(1,385)	(8,948)
Compensated absences	-	(2,772)	351	(2,421)
Deposits payable	-	-	1,101	1,101
Net cash (used) provided by operating activities	\$ (44,426)	7,417	17,865	(19,144)

Supplemental Disclosure of Cash Flow Information

Non-cash revenue

Capital contribution	\$ 4,720,674	-	-	4,720,674
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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, 2011

ASSETS

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

LIABILITIES

Due to other entities	\$ 50
Total liabilities	<u>\$ 50</u>

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

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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. Separate financial statements for the Housing Authority may be obtained by requesting them in writing at PO Box 904, Pecos, NM, 87552.

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, 2011

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, 2011

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.

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 from the State of New Mexico. Authority is NMSA 59-A-53-1.

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.

**VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

A. Financial Reporting Entity (Continued)

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.

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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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).

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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Capital Assets (Continued)

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.

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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Fund Equity

Beginning with fiscal year 2011, the Village implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Village intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Village considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Village Trustees have provided otherwise in its commitment or assignment actions.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Fund Equity (Continued)

Major Funds

The Fire Protection Fund has restricted funds of \$42,370 at June 30, 2011, consisting of the annual fire grant from the State of New Mexico restricted for the operation and maintenance of the fire department.

Other Funds

The following non-major funds have fund balances restricted for specific purposes:

Emergency Medical Services Fund: annual EMS allotment \$4,165.

Law Enforcement Protection Fund: annual LEPF allotment \$13,266.

Municipal Street Fund: gasoline taxes \$347,352.

The remaining Special Revenue Funds Assigned Fund Balance of \$68,143 relates to the intended use of tax revenue.

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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider demand deposit, certificate of deposit, and 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 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 a resolution.
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, 2011

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.

K. Implementation of New Accounting Standards

During the year ended June 30, 2011, the Village adopted Government Accounting Standards Board Statement (GASB) No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 GASB and AICPA Pronouncements*. The Village also adopted GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position*. Neither statement will have a material impact on the Village's financial statements.

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, 2011, the Village's bank balance total of \$1,761,667 was exposed to credit risk in the amount of \$1,493,960 as follows:

Uninsured and collateral held by pledging bank's trust department or agent but not in the Village's name	<u>\$ 795,000</u>
Uninsured and uncollateralized	<u>\$ 698,960</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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2. CASH AND INVESTMENTS (Continued)

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. In addition amounts have been classified as restricted for a bond reserve fund and an operation and maintenance fund because their use is limited by applicable bond covenants of the Series 1984 joint water and sewer system revenue bonds.

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, 2011:

	Waste Water	Water
Accounts receivable	\$ 15,685	38,946
Allowance for uncollectible accounts	(517)	(1,284)
	<u>\$ 15,168</u>	<u>37,662</u>

Accounts receivable for the housing authority is \$134 at June 30, 2011. No allowance for doubtful accounts has been established because management believes all of the receivables are collectible.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2011 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
Capital assets, not depreciated:					
Land	\$ 84,475	-	-	-	84,475
Construction in process	1,422,164	-	-	(1,422,164)	-
Total, not depreciated	\$ 1,506,639	-	-	(1,422,164)	84,475
Capital assets, depreciated:					
Buildings and improvements	\$ 1,205,633	61,352	-	1,422,164	2,689,149
Infrastructure	409,406	-	-	-	409,406
Equipment	708,821	79,197	-	-	788,018
Total, depreciated	2,323,860	140,549	-	1,422,164	3,886,573
Accumulated depreciation for:					
Buildings and improvements	239,622	75,948	-	-	315,570
Infrastructure	12,589	9,211	-	-	21,800
Equipment	415,487	75,697	-	-	491,184
Total accumulated depreciation	667,698	160,856	-	-	828,554
Total capital assets, depreciated, net	\$ 1,656,162	(20,307)	-	1,422,164	3,058,019
Total capital assets, net	\$ 3,162,801	(20,307)	-	-	3,142,494

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

Governmental activities

General government	\$ 111,508
Public safety	<u>49,348</u>
Total depreciation expense	<u>\$ 160,856</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 20, 2011 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type Activities					
Capital assets, not depreciated:					
Land	\$ 25,648	-	-	-	25,648
Water rights	238,636	-	-	-	238,636
Construction in process	1,735,848	40,412	-	(1,692,639)	83,621
Total, not depreciated	\$ 2,000,132	40,412	-	(1,692,639)	347,905
Capital assets, depreciated:					
Buildings and improvements	\$ 2,154,905	4,720,674	-	1,692,639	8,568,218
Equipment	455,004	52,514	(17,987)	-	489,531
Infrastructure	552,141	-	-	-	552,141
Total, depreciated	3,162,050	4,773,188	(17,987)	1,692,639	9,609,890
Accumulated depreciation for:					
Buildings and improvements	1,435,524	49,890	-	-	1,485,414
Equipment	288,097	23,675	(5,915)	-	305,857
Infrastructure	120,627	13,804	-	-	134,431
Total accumulated depreciation	1,844,248	87,369	(5,915)	-	1,925,702
Total capital assets, depreciated, net	\$ 1,317,802	4,685,819	(12,072)	1,692,639	7,684,188
Total capital assets, net	\$ 3,317,934	4,726,231	(12,072)	-	8,032,093

The Village received \$11,273 in insurance recoveries in the year ended June 30, 2011. The insurance proceeds were received as a result of damage caused to a water pump by lightning. The water pump was replaced and the damaged pump was removed from the capital asset listing. Insurance recovery income is included in other income in the proprietary funds statement of revenues, expenses and changes in fund net assets and the statement of activities.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2011, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 8,750	12,824	(15,126)	6,448	6,448
Notes payable	107,143	-	(21,429)	85,714	42,857
Total	<u>\$ 115,893</u>	<u>12,824</u>	<u>(36,555)</u>	<u>92,162</u>	<u>49,305</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, 2011:

Consulting and auditing loan for \$150,000, non-interest bearing, payments of \$21,429 annually in June, maturing June 30, 2014	<u>\$ 85,714</u>
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VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 42,857	-	42,857
2013	21,429	-	21,429
2014	21,428	-	21,428
	<u>\$ 85,714</u>	<u>-</u>	<u>85,714</u>

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2011, the following changes occurred:

	Beginning Balance	Adjustments and Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 4,288	3,320	(5,438)	2,170	2,170
Notes payable	35,226	-	(1,111)	34,115	17,388
Bonds payable	286,096	-	(14,000)	272,096	15,100
Total	<u>\$ 325,610</u>	<u>3,320</u>	<u>(20,549)</u>	<u>308,381</u>	<u>34,658</u>

The Housing Authority has \$782 in compensated absences payable at June 30, 2011.

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, 2011:

Water supply construction loan for \$162,111, interest at 2%, payments of \$16,596 annually in January, maturing January 1, 2012	\$ 16,244
Rural Infrastructure loan for \$25,000, interest at 3%, payments of \$1,680 annually in June, maturing June 14, 2024	<u>17,871</u>
Total loans payable	<u>\$ 34,115</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 17,388	861	18,249
2013	1,179	501	1,680
2014	1,214	466	1,680
2015	1,250	430	1,680
2016	1,288	392	1,680
2017 to 2021	7,043	1,357	8,400
2022 to 2024	4,753	287	5,040
	<u>\$ 34,115</u>	<u>4,294</u>	<u>38,409</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
2012	\$ 15,100	13,991	29,091
2013	16,200	13,217	29,417
2014	16,300	12,386	28,686
2015	17,400	11,548	28,948
2016	18,500	10,654	29,154
2017 to 2021	109,400	37,846	147,246
2022 to 2025	79,196	8,425	87,621
	<u>\$ 272,096</u>	<u>108,067</u>	<u>380,163</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 8. INTERFUND TRANSFERS

Operating transfers to other funds consists of the following:

Transfers from general fund to:	
Waste water fund	\$ 92,616
Water fund	263,619
Nonmajor governmental funds	<u>1,520</u>
Total transfers from general fund	<u>\$ 357,775</u>
Transfers to general fund from:	
Nonmajor governmental funds	<u>\$ 35,646</u>
Transfers to waste water fund from:	
General fund	<u>\$ 92,616</u>
Transfers to water fund from:	
General fund	<u>\$ 263,619</u>
Transfers from nonmajor funds to:	
Nonmajor funds	<u>\$ 48,270</u>

Transfers were caused by the general fund paying for operating expenditures in other funds and the elimination of interfund balances.

In addition, there was an interfund transfer of \$20,311 in the Housing Authority fund.

NOTE 9. 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 10. 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, 2011

NOTE 11. 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 benefits, 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 for the plan. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 13.15% of their gross salary. The Village is required to contribute 9.15% of the gross covered salary. The Village has elected to pay 75% of the employee's contribution. The contribution requirements of plan members and the Village are established in State statute 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, 2011, 2010 and 2009 were \$47,345, \$43,186, and \$44,061, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Village contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA 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; 3) former governing authority members who served at least four years.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ending June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	0.917%
FY13	2.000%	1.000%

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

For employees who are members of an enhanced retirement plan (state police and adult correctional officer plan 1; municipal police member plans 3, 4, and 5; municipal fire members coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee’s annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 and 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of the two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

For the fiscal years ended June 30, 2011, 2010, and 2009, the Village remitted \$3,932, \$2,430, and \$2,879, respectively, which equal the required contributions for each year.

NOTE 13. 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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 13. RISK MANAGEMENT (CONTINUED)

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 14. SPECIAL APPROPRIATIONS

The Village has received the following special appropriations:

	Original Appropriation	Expended	Appropriation Period
Pass Thru Appropriation from the New Mexico Aging and Long-Term Services Department Contract No. 2007-2429			
Construction of a senior center	\$ 495,000	422,732	2007 – 2010
SAP-05-1146-GF			
Waste water facility and system improvements	\$ 500,000	423,621	2007 - 2010
SAP-06-1207-GF			
Waste water facility and System improvements	<u>\$ 400,000</u>	<u>259,017</u>	2007 – 2010
Total	<u>\$ 1,395,000</u>	<u>1,105,370</u>	

None of the above appropriations were encumbered at year-end. As of the date of the audit report, all of the above appropriations were expended or reverted back to the state.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 15. CAPITAL CONTRIBUTIONS AND IN-KIND DONATIONS

The proprietary fund financial statements reflect a capital contribution totaling \$4,720,674. This represents the costs incurred by the United States Army Corps of Engineers (USACE) for the design and construction assistance for the Pecos wastewater system improvement. As per the agreement between the Department of the Army and the Village of Pecos, the USACE would be responsible for 75% of the total project costs and the Village would be responsible for 25%. The Pecos wastewater system improvement project was complete at June 30, 2011 and was transferred out of construction in progress and into buildings and improvements. The total cost of the wastewater treatment plant included in capital assets is \$6,413,313.

The Village received a donated rescue unit for the fire protection fund from the City of Santa Fe. The fair market value of the rescue unit was estimated to be \$65,000. The rescue unit was recorded as in-kind revenue and in-kind expense in the fire fund. The vehicle was added to the governmental capital asset listing.

NOTE 16. RELATED PARTY TRANSACTIONS

In the year under audit construction services were procured from a construction company owned by the brother of a Village employee. The company was paid a total of \$60,312 in the year under audit of which \$50,800 was as per contract for the construction of a fire substation. There were no balances due to or from the construction company at June 30, 2011. In the opinion of management, such transactions were awarded in accordance with NMSA Procurement code and did not involve more than a normal risk of collectability or present any other unfavorable features to the Village.

NOTE 17. CONTINGENCIES

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

Grant Compliance. The Village receives significant financial assistance from the State and U.S. Government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable state and federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of June 30, 2011, management estimates that no material liabilities will result from such audits.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 18. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 18, 2011, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2011.

VILLAGE OF PECOS, NEW MEXICO
NONMAJOR FUNDS
June 30, 2011

SPECIAL REVENUE FUNDS

Corrections. To establish 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.

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.

Street Fund. 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.

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.

NMDOT Grip Project. 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.

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

VILLAGE OF PECOS, NEW MEXICO
NONMAJOR FUNDS
June 30, 2011

SPECIAL REVENUE FUNDS (Continued)

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

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.

Road Equipment. To account for the revenues and expenditures related to a grant to purchase road equipment.

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2011**

	<u>Special Revenue</u>		
	Corrections	Environmental Gross Receipts Tax	Emergency Medical Services
ASSETS			
Cash	\$ -	58,288	4,165
Receivables			
Taxes			
Gross receipts	-	1,186	-
Gasoline	-	-	-
Total assets	\$ -	59,474	4,165
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
FUND BALANCES			
Restricted for special revenues	-	-	4,165
Assigned to special revenues	-	59,474	-
Total fund balances	-	59,474	4,165
Total liabilities and fund balances	\$ -	59,474	4,165

VILLAGE OF PECOS, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2011

	Special Revenue		
	Emergency 911	Law Enforcement Protection	Street
ASSETS			
Cash	\$ -	13,266	342,935
Receivables			
Taxes			
Gross receipts	-	-	-
Gasoline	-	-	4,417
Total assets	\$ -	13,266	347,352
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
FUND BALANCES			
Restricted for special revenues	-	13,266	347,352
Assigned to special revenues	-	-	-
Total fund balances	-	13,266	347,352
Total liabilities and fund balances	\$ -	13,266	347,352

VILLAGE OF PECOS, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2011

	Special Revenue		
	Recreation	Building Demolition and Park	Paving Municipal Parking Lot
ASSETS			
Cash	\$ 8,669	-	-
Receivables			
Taxes			
Gross receipts	-	-	-
Gasoline	-	-	-
Total assets	\$ 8,669	-	-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
FUND BALANCES			
Restricted for special revenues	-	-	-
Assigned to special revenues	8,669	-	-
Total fund balances	8,669	-	-
Total liabilities and fund balances	\$ 8,669	-	-

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2011**

	Special Revenue		
	NMDOT Grip Project	Water Meter Installation	GIS Mapping
ASSETS			
Cash	\$ -	-	-
Receivables			
Taxes			
Gross receipts	-	-	-
Gasoline	-	-	-
Total assets	\$ -	-	-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
FUND BALANCES			
Restricted for special revenues	-	-	-
Assigned to special revenues	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ -	-	-

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2011**

	<u>Special Revenue</u>		
	Senior Citizen Center	Road Equipment	Total Nonmajor
ASSETS			
Cash	\$ 5,192	-	432,515
Receivables			
Taxes			
Gross receipts	-	-	1,186
Gasoline	-	-	4,417
Total assets	<u>\$ 5,192</u>	<u>-</u>	<u>438,118</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,192	-	5,192
Total liabilities	<u>5,192</u>	<u>-</u>	<u>5,192</u>
 FUND BALANCES			
Restricted for special revenues	-	-	364,783
Assigned to special revenues	-	-	68,143
Total fund balances	<u>-</u>	<u>-</u>	<u>432,926</u>
 Total liabilities and fund balances	 <u>\$ 5,192</u>	 <u>-</u>	 <u>438,118</u>

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2011**

	Special Revenue		
	Corrections	Environmental Gross Receipts Tax	Emergency Medical Services
Revenues			
Taxes	\$ -	6,679	-
Interest	-	-	-
Grant	-	-	16,000
Other	-	177	-
Total revenues	-	6,856	16,000
Expenditures			
Current			
Public safety	-	-	11,835
Health and welfare	-	6,241	-
Highways and streets	-	-	-
Capital outlay	-	-	-
Total expenditures	-	6,241	11,835
Excess of revenues over expenditures	-	615	4,165
Other Financing (Uses) Sources			
Operating transfers, in	-	-	-
Operating transfers, out	(4,221)	-	(3,720)
Transfers in: General obligation	-	-	-
Total other financing (uses) sources	(4,221)	-	(3,720)
Net change in fund balances	(4,221)	615	445
Fund balance, beginning	4,221	58,859	3,720
Fund balance, end of year	\$ -	59,474	4,165

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2011**

	Special Revenue		
	Emergency 911	Law Enforcement Protection	Street
Revenues			
Taxes	\$ -	-	25,710
Interest	-	-	1
Grant	-	20,000	-
Other	-	-	-
	<hr/>		
Total revenues	-	20,000	25,711
	<hr/>		
Expenditures			
Current			
Public safety	-	9,568	-
Health and welfare	-	-	-
Highways and streets	-	-	19,967
Capital outlay	-	5,697	-
	<hr/>		
Total expenditures	-	15,265	19,967
	<hr/>		
Excess of revenues over expenditures	-	4,735	5,744
	<hr/>		
Other Financing (Uses) Sources			
Operating transfers, in	-	23,730	738
Operating transfers, out	(3,659)	-	(10,160)
Transfers in: General obligation	-	-	-
Total other financing (uses)			
sources	(3,659)	23,730	(9,422)
	<hr/>		
Net change in fund balances	(3,659)	28,465	(3,678)
	<hr/>		
Fund balance, beginning	3,659	(15,199)	351,030
	<hr/>		
Fund balance, end of year	\$ -	13,266	347,352
	<hr/> <hr/>		

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2011**

	Special Revenue		
	Recreation	Building Demolition and Park	Paving Municipal Parking Lot
Revenues			
Taxes	\$ -	-	-
Interest	2	-	-
Grant	-	-	-
Other	-	-	-
	<hr/>		
Total revenues	2	-	-
	<hr/>		
Expenditures			
Current			
Public safety	-	-	-
Health and welfare	-	-	-
Highways and streets	-	-	-
Capital outlay	-	-	-
	<hr/>		
Total expenditures	-	-	-
	<hr/>		
Excess of revenues over expenditures	2	-	-
	<hr/>		
Other Financing (Uses) Sources			
Operating transfers, in	-	-	1,557
Operating transfers, out	(201)	(22,766)	-
Transfers in: General obligation	-	-	-
Total other financing (uses) sources	(201)	(22,766)	1,557
	<hr/>		
Net change in fund balances	(199)	(22,766)	1,557
	<hr/>		
Fund balance, beginning	8,868	22,766	(1,557)
	<hr/>		
Fund balance, end of year	\$ 8,669	-	-
	<hr/> <hr/>		

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2011**

	Special Revenue		
	NMDOT Grip Project	Water Meter Installation	GIS Mapping
Revenues			
Taxes	\$ -	-	-
Interest	-	-	-
Grant	-	-	-
Other	-	-	-
Total revenues	-	-	-
Expenditures			
Current			
Public safety	-	-	-
Health and welfare	-	-	-
Highways and streets	-	-	-
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	-	-	-
Other Financing (Uses) Sources			
Operating transfers, in	-	-	16,623
Operating transfers, out	(738)	(38,451)	-
Transfers in: General obligation	-	-	-
Total other financing (uses) sources	(738)	(38,451)	16,623
Net change in fund balances	(738)	(38,451)	16,623
Fund balance, beginning	738	38,451	(16,623)
Fund balance, end of year	\$ -	-	-

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2011**

	Special Revenue		
	Senior Citizen Center	Road Equipment	Total Non-major
Revenues			
Taxes	\$ -	-	32,389
Interest	-	-	3
Grant	-	-	36,000
Other	-	-	177
Total revenues	-	-	68,569
Expenditures			
Current			
Public safety	-	-	21,403
Health and welfare	-	-	6,241
Highways and streets	-	-	19,967
Capital outlay	10,820		16,517
Total expenditures	10,820	-	64,128
Excess of revenues over expenditures	(10,820)	-	4,441
Other Financing (Uses) Sources			
Operating transfers, in	3,497	3,645	49,790
Operating transfers, out	-	-	(83,916)
Transfers in: General obligation	10,820	-	10,820
Total other financing (uses) sources	14,317	3,645	(23,306)
Net change in fund balances	3,497	3,645	(18,865)
Fund balance, beginning	(3,497)	(3,645)	451,791
Fund balance, end of year	\$ -	-	432,926

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers out	-	-	(4,221)	(4,221)
Total other financing uses	-	-	(4,221)	(4,221)
Net change in fund balance	-	-	(4,221)	(4,221)
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, 2011

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 7,574	7,574	6,708	(866)
Other	-	-	177	177
Total revenues	<u>7,574</u>	<u>7,574</u>	<u>6,885</u>	<u>(689)</u>
Expenditures				
Health and welfare	7,574	7,574	6,241	1,333
Total expenditures	<u>7,574</u>	<u>7,574</u>	<u>6,241</u>	<u>1,333</u>
Net change in fund balance	-	-	644	644
Fund balance, beginning of year	58,859	58,859	58,859	-
Fund balance, end of year	<u>\$ 58,859</u>	<u>58,859</u>	<u>59,503</u>	<u>644</u>
Non-GAAP change in fund balance			644	
Change in:				
Accounts receivable			<u>(29)</u>	
GAAP change in fund balance			<u>\$ 615</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
EMERGENCY MEDICAL SERVICES
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 16,000	16,000	16,000	-
Total revenues	16,000	16,000	16,000	-
Expenditures				
Public safety	16,000	16,000	11,835	4,165
Total expenditures	16,000	16,000	11,835	4,165
Excess (deficiency) of revenues over expenditures	-	-	4,165	4,165
Other financing uses				
Operating transfers out	-	-	(3,720)	(3,720)
Total other financing uses	-	-	(3,720)	(3,720)
Net change in fund balance	-	-	445	445
Fund balance, beginning of year	3,720	3,720	3,720	-
Fund balance, end of year	\$ 3,720	3,720	4,165	445

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
EMERGENCY 911
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing uses				
Operating transfers out	-	-	(3,659)	(3,659)
Total other financing uses	-	-	(3,659)	(3,659)
Net change in fund balance	-	-	(3,659)	(3,659)
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)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From local governments				
Grants	\$ 20,000	20,000	20,000	-
Total revenues	20,000	20,000	20,000	-
Expenditures				
Public safety	21,346	21,346	9,568	11,778
Capital outlay	-	-	5,697	(5,697)
Total expenditures	21,346	21,346	15,265	6,081
Excess (deficiency) of revenues over expenditures	(1,346)	(1,346)	4,735	6,081
Other financing sources (uses)				
Operating transfers in	-	-	23,730	23,730
Total other financing uses	-	-	23,730	23,730
Net change in fund balance	(1,346)	(1,346)	28,465	29,811
Fund balance, beginning of year	(15,199)	(15,199)	(15,199)	-
Fund balance, end of year	(16,545)	(16,545)	13,266	29,811
Prior year cash appropriated	16,545	16,545		
\$	-	-		

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STREET
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Gasoline taxes	\$ 21,586	21,586	26,014	4,428
Interest			1	1
Total revenues	21,586	21,586	26,015	4,428
Expenditures				
Highways and streets	21,586	21,586	19,967	1,619
Total expenditures	21,586	21,586	19,967	1,619
Excess of revenues over expenditures	-	-	6,048	6,047
Other financing uses				
Operating transfers in	-	-	738	738
Operating transfers out	-	-	(10,160)	(10,160)
Total other financing uses	-	-	(9,422)	(9,422)
Net change in fund balance	-	-	(3,374)	(3,375)
Fund balance, beginning of year	351,030	351,030	351,030	-
Fund balance, end of year	\$ 351,030	351,030	347,656	(3,375)
Non-GAAP change in fund balance			\$ (3,374)	
Change in:				
Taxes receivable			(304)	
GAAP change in fund balance			<u>\$ (3,678)</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Cigarette tax	\$ -	-	-	-
Interest	-	-	2	2
Total revenues	-	-	2	2
Expenditures				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	2	2
Other financing sources (uses)				
Operating transfers out	-	-	(201)	(201)
Total other financing uses	-	-	(201)	(201)
Net change in fund balance	-	-	(199)	(199)
Fund balance, beginning of year	8,868	8,868	8,868	-
Fund balance, end of year	\$ 8,868	8,868	8,669	(199)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers out	-	-	(22,766)	(22,766)
Total other financing uses	-	-	(22,766)	(22,766)
Net change in fund balance	-	-	(22,766)	(22,766)
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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
(Deficiency) excess of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in	1,558	1,558	1,557	(1)
Total other financing sources	1,558	1,558	1,557	-
Net change in fund balance	1,558	1,558	1,557	-
Fund balance, beginning of year	(1,557)	(1,557)	(1,557)	-
Fund balance, end of year	\$ 1	1	-	-

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
NMDOT GRIP PROJECT
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From local governments				
Grants	\$ 320,382	320,382	11,629	(308,753)
Total revenues	320,382	320,382	11,629	(308,753)
Expenditures				
Capital Outlay	320,382	320,382	-	320,382
Total expenditures	320,382	320,382	-	320,382
Excess of revenues over expenditures	-	-	11,629	11,629
Other financing sources (uses)				
Operating transfers out	-	-	(738)	(738)
Total other financing sources	-	-	(738)	(738)
Net change in fund balance	-	-	10,891	10,891
Fund balance, beginning of year	738	738	738	-
Fund balance, end of year	\$ 738	738	11,629	10,891
Non-GAAP change in fund balance			\$ 10,891	
Change in:				
Grants receivable			(11,629)	
GAAP change in fund balance			<u>\$ (738)</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER METER INSTALLATION
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
(Deficiency) excess of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers out	-	-	(38,451)	(38,451)
Total other financing sources	-	-	(38,451)	(38,451)
Net change in fund balance	-	-	(38,451)	(38,451)
Fund balance, beginning of year	38,451	38,451	38,451	-
Fund balance, end of year	\$ 38,451	38,451	-	(38,451)

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GIS MAPPING
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Highways and streets	10,000	10,000	-	10,000
Total expenditures	10,000	10,000	-	10,000
(Deficiency) excess of revenues over expenditures	(10,000)	(10,000)	-	10,000
Other financing sources (uses)				
Operating transfers in	10,000	10,000	16,623	6,623
Total other financing sources	10,000	10,000	16,623	-
Net change in fund balance	-	-	16,623	16,623
Fund balance, beginning of year	(16,623)	(16,623)	(16,623)	-
Fund balance, end of year	(16,623)	(16,623)	-	16,623
Prior year cash appropriated	16,623	16,623		
	\$ -	-		

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SENIOR CITIZEN CENTER
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From local governments				
Grants	\$ 9,658	9,658	9,658	-
Total revenues	9,658	9,658	9,658	-
Expenditures				
General government	-	-	-	-
Capital Outlay	9,658	9,658	5,628	4,030
Total expenditures	9,658	9,658	5,628	4,030
Excess of revenues over expenditures	-	-	4,030	4,030
Other financing sources (uses)				
Transfers in: General obligation	-	-	53,127	53,127
Operating transfers in			3,497	3,497
Total other financing sources	-	-	56,624	56,624
Net change in fund balance	-	-	60,654	60,654
Fund balance, beginning of year	(3,497)	(3,497)	(3,497)	-
Fund balance, end of year	(3,497)	(3,497)	57,157	60,654
Prior year cash appropriated	3,497	3,497		
	\$ -	-		
Non-GAAP change in fund balance			\$ 60,654	
Change in:				
Grant receivable			(9,658)	
Due from other state agencies			(42,307)	
Accounts payable			(5,192)	
GAAP change in fund balance			\$ 3,497	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
ROAD EQUIPMENT
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
General government	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in			3,645	3,645
Total other financing sources	-	-	3,645	3,645
Net change in fund balance	-	-	3,645	3,645
Fund balance, beginning of year	(3,645)	(3,645)	(3,645)	-
Fund balance, end of year	(3,645)	(3,645)	-	3,645
Prior year cash appropriated	3,645	3,645		
\$	-	-		

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WASTE WATER ENTERPRISE
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-
				Positive
				(Negative)
Revenues				
Sales, services and rents	\$ 104,092	104,092	98,852	(5,240)
Grant income	1,429,710	1,429,710	-	(1,429,710)
Interest	3,785	3,785	385	(3,400)
Total revenues	1,537,587	1,537,587	99,237	(1,438,350)
Expenses				
Operating	185,100	185,100	143,278	41,822
Capital outlay	1,429,710	1,429,710	43,569	1,386,141
Total expenditures	1,614,810	1,614,810	186,847	1,427,963
Excess of revenues over expenditures	(77,223)	(77,223)	(87,610)	(10,387)
Other financing sources (uses)				
Operating transfers in	-	-	92,616	92,616
Capital contributions	-	-	4,720,674	4,720,674
Total other financing sources (uses)	-	-	4,813,290	4,813,290
Net change in net assets	(77,223)	(77,223)	4,725,680	4,802,903
Net assets, beginning of year	2,087,436	2,087,436	2,087,436	-
Net assets, end of year	\$ 2,010,213	2,010,213	6,813,116	4,802,903
Non-GAAP change in fund balance			\$ 4,725,680	
Change in:				
Utility receivables			1,331	
Accounts payable			323	
Accrued compensation and benefits			(198)	
Compensated absences			(1,085)	
Capital expenditures capitalized			43,569	
Non-budgeted items				
Depreciation			(5,904)	
GAAP change in net assets			<u>\$ 4,763,716</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER ENTERPRISE
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales, services and rents	\$ 296,895	296,895	252,163	(44,732)
Federal grant income	596,302	596,302	-	(596,302)
Interest	-	-	289	289
Other	-	-	12,965	12,965
Total revenues	893,197	893,197	265,417	(627,780)
Expenses				
Operating	296,895	296,895	244,746	52,149
Capital outlay	596,302	596,302	36,357	559,945
Loss on disposal of assets	-	-	12,073	(12,073)
Debt service	21,248	21,429	30,388	(8,959)
Total expenditures	914,445	914,626	323,564	591,062
Excess of revenues over expenditures before other financing uses	(21,248)	(21,429)	(58,147)	(36,718)
Other financing uses				
Operating transfers in	21,248	21,429	263,619	242,190
Total other financing sources	21,248	21,429	263,619	242,190
Net change in net assets	-	-	205,472	205,472
Net assets, beginning of year	296,784	296,784	296,784	-
Net assets, end of year	\$ 296,784	296,784	502,256	205,472
Non-GAAP change in fund balance			\$ 205,472	
Change in:				
Accounts receivable			11,127	
Accounts payable			14,299	
Accrued compensation and benefits			8,846	
Interest payable			(838)	
Compensated absences			2,772	
Non-budgeted items				
Debt service principal			15,110	
Capital expenditures capitalized			36,357	
Depreciation			(29,254)	
GAAP change in net assets			\$ 263,891	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
HOUSING AUTHORITY ENTERPRISE
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Intergovernmental - federal	\$ 85,740	85,740	74,983	(10,757)
Charges for services	111,145	111,145	111,669	524
Operating grants	30,125	42,003	35,342	(6,661)
Capital grants	77,920	66,042	-	(66,042)
Interest	-	600	6	(594)
Total revenues	304,930	305,530	222,000	(83,530)
Expenses				
Administration	87,164	74,262	66,463	7,799
Utilities	43,000	43,000	45,606	(2,606)
Maintenance	65,400	65,400	78,046	(12,646)
Capital outlay	77,920	66,042	-	66,042
General	12,600	12,600	11,911	689
Total expenditures	286,084	261,304	202,026	59,278
Excess of revenues over expenditures	18,846	44,226	19,974	(24,252)
Other financing sources (uses)				
Operating transfers in	(10,761)	(35,541)	-	35,541
Total other financing sources (uses)	(10,761)	(35,541)	-	35,541
Net change in net assets	8,085	8,685	19,974	11,289
Net assets, beginning of year	762,645	762,645	762,645	-
Net assets, end of year	\$ 770,730	771,330	782,619	11,289
Non-GAAP change in fund balance			\$ 19,974	
Non-budgeted items				
Depreciation			(52,210)	
GAAP change in net assets			<u>\$ (32,236)</u>	

VILLAGE OF PECOS, NEW MEXICO
AGENCY FUNDS
June 30, 2011

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, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
MOTOR VEHICLE FUND				
ASSETS				
Cash	\$ 50	326,903	326,903	50
Total assets	<u>\$ 50</u>	<u>326,903</u>	<u>326,903</u>	<u>50</u>
LIABILITIES				
Due to other entities	\$ (4,681)	326,903	322,172	50
Due to other funds	4,731	-	4,731	-
Total liabilities	<u>\$ 50</u>	<u>326,903</u>	<u>326,903</u>	<u>50</u>

VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2011

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Bank of Las Vegas	Allocated cash account	Checking	\$ 1,289,422	1,206,674
Bank of Las Vegas	Fire Protection	Checking	67,314	55,777
Bank of Las Vegas	Recreation	Checking	4,074	3,873
Bank of Las Vegas	Water and Sewer Enterprise	Checking	246,426	234,515
Bank of Las Vegas	Payroll	Checking	28,655	16,174
Bank of Las Vegas	Pecos Housing Authority	Checking	17,063	16,754
Bank of Las Vegas	Pecos Housing Authority	Checking	1	1
Bank of Las Vegas	Pecos Housing Authority	Checking	7,652	7,652
Bank of Las Vegas	Pecos Housing Authority	Checking	1,080	1,080
Bank of Las Vegas	Water Deposit	Checking	32,870	32,808
Del Norte Credit Union	Sewer System Reserve Fund	Checking	17,707	17,707
Bank of Las Vegas	Water and Sewer Enterprise	CD	49,403	49,815
			<u>1,761,667</u>	<u>1,642,830</u>
Petty Cash	General Fund		-	368
Petty Cash	Utility Clerk		-	50
Petty Cash	Pecos Housing Authority		-	50
Total deposit accounts - non-agency			<u>\$ 1,761,667</u>	<u>1,643,298</u>
Agency funds cash accounts				
Petty Cash	MVD Clerk		\$ -	50
Total cash - agency funds			<u>\$ -</u>	<u>50</u>

VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2011

	Village		Housing	Total
	Bank of Las Vegas	Del Norte Credit Union	Bank of Las Vegas	
Deposits at June 30, 2011	\$ 1,743,960	17,707	25,487	1,761,667
Less: FDIC coverage	250,000	17,707	25,487	267,707
Uninsured public funds	1,493,960	-	-	1,493,960
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	795,000	-	-	795,000
Uninsured and uncollateralized	\$ 698,960	-	-	698,960
50% pledged collateral requirement per statute	\$ 746,980	-	-	746,980
Total pledged collateral	795,000	-	-	795,000
Pledged collateral over the requirement	\$ (48,020)	-	-	(48,020)

Pledged collateral at June 30, 2011 consists of the following:

Security	CUSIP	Maturity	Par or Fair Mkt. Value
Alamogordo, NM 3.50%, muni bond	01145NAL7	6/1/2013	300,000
Harris County Texas 4.25% bond	414150MH2	9/1/2014	145,000
Bernalillo, NM 4.00% bond	085279NX1	8/1/2019	250,000
Shanksville, PA 3.00% bond	819433FN8	9/1/2016	100,000
Total pledged collateral			\$ 795,000

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, 2011

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 financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and the fire protection fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Village of Pecos, New Mexico (Village), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011. 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 our 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 be designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies 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 deficiency *in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 04-11.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies: 04-2, 04-6, 04-8, and 09-2.

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 which are described in the accompanying schedule of findings and responses as items 04-6 and 04-8, and 2011-01 for the Housing Authority.

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

This report is intended solely for the information and use of the Village of Pecos' management, Village Trustees, 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.



Albuquerque, New Mexico
November 18, 2011

VILLAGE OF PECOS, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

Village of Pecos

04-2	Disaster Recover Plan and Information Technology General Controls	Modified and repeated
04-6	Payroll Disbursements	Modified and repeated
04-8	Travel and Per Diem Disbursements	Modified and repeated
04-11	Capital Asset Additions, Deletions and Inventory	Modified and repeated
09-2	Payroll Reporting	Modified and repeated
10-1	Grant Tracking	Resolved

Housing Authority

No prior year findings

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS – FINANCIAL STATEMENTS AUDIT

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

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
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

**04-2 Disaster Recovery Plan and Information Technology General Controls –
Significant Deficiency (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 concur with this finding. The Village of Pecos will continue to pursue the services of a private consultant to assist in the development of a disaster recovery plan that adequately addresses all compliance requirements.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-6 Payroll Disbursements – Significant Deficiency

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 was not documented in the employees personnel file.
- For three employees tested there was no supporting documentation on file for the forms of identification accepted to complete the I-9 form.
- For two of the disbursements tested the payroll file did not include either a PERA exclusion or application 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.

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.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-6 Payroll Disbursements – Significant Deficiency (Continued)

MANAGEMENT RESPONSE

We concur with this finding. The Village has implemented recommended procedures.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-8 Travel and Per Diem Disbursements – Significant Deficiency

CONDITION

We tested 3 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 the partial day per diem rate on the last day of travel when overnight lodging was no longer required. This resulted in an underpayment to the employee of \$21.
- For one of the items tested, the employee was paid the full day per diem rate on the last day of travel when overnight lodging was no longer required. This resulted in an overpayment to the employee of \$64.

CRITERIA

NMAC 2.42.2.9 states for overnight travel for state officers and employees where overnight lodging is required, the public officer or employee will be reimbursed as follows:

Actual reimbursement for meals: Actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 to a maximum of \$30.00 for in-state travel and \$45.00 for out-of-state travel for a 24-hour period.

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.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

04-8 Travel and Per Diem Disbursements – Significant Deficiency (Continued)

MANAGEMENT RESPONSE

We concur with this finding. The Village will continue to thoroughly review travel and per diem vouchers to ensure compliance with the Per Diem Act.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

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 during the year but were not added to the listing. These assets were discovered during audit testwork. Purchased additions in the amount of \$5,192 and contributed assets in the amount of \$65,000 were added to the capital asset listing for governmental funds, and purchased additions of \$27,412 and a capital contribution of \$4,720,674 were added to the listing for proprietary funds. In addition disposed assets totaling \$17,987 were removed from the listing for proprietary funds.

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.

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.

MANAGEMENT RESPONSE

We concur with this finding. The Village of Pecos has engaged the services of a professional consultant to develop an Asset Management Plan. This process will begin shortly after January 2012. This plan will track capital asset additions and deletions and will facilitate a full accounting of all capital assets.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

09-2 Payroll Reporting – Significant Deficiency

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. For some of the quarters tested 941 reports were prepared incorrectly and need to be amended.

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. Our financial consultant has provided the necessary training to our payroll staff to ensure compliance and timely reporting with the appropriate tax entities.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

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

2011-1 Unaudited Financial Data Schedule Submission (FDS) – Other Finding

CONDITION

The Unaudited Financial Data Schedule (FDS) was not timely submitted to HUD through the REAC submission process.

CRITERIA

HUD regulations require the Unaudited Financial Data Schedule (FDS) to be submitted through REAC within 60 days from the end of the fiscal year, unless extensions are granted.

EFFECT

Noncompliance with HUD regulations may result in a less than optimum score when evaluated by HUD and could lead toward a troubled housing authority status. Per 24 CFR 902.62 “If a PHA without a finding of good cause by HUD does not submit its year-end financial information, required by this part, or submits its unaudited year-end financial information more than 15 days past the due date, appropriate sanctions may be imposed, including a reduction of one point in the total PHAS score for each 15-day period past the due date.”

CAUSE

Unknown.

RECOMMENDATION

The Housing Authority should ensure that all future Unaudited Financial Data Schedules be submitted in a timely manner.

MANAGEMENT RESPONSE

I have been in contact with our Fee Accountant since the scheduled date of submission and have acknowledged and feel we have corrected this issue from ever happening again in the future from this firm.

VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2011

An exit conference was held on November 22nd, 2011, and attended by the following:

Village of Pecos, New Mexico

Tony Jose Roybal, Mayor
Florencio Varela, Council Member
Mona Quintana, Village Clerk
Arthur Varela, Interim Village Clerk
Ricardo Valenzuela, Housing Authority Executive Director

Porch & Associates LLC

Thad Porch, Managing Principal

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