

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF PECOS, NEW MEXICO

Financial Statements, Supplementary Information
and
Independent Auditors' Report

June 30, 2012

VILLAGE OF PECOS, NEW MEXICO

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VILLAGE OF PECOS, NEW MEXICO

List of Principal Officials

June 30, 2012

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, 2012, 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 for all nonmajor funds as of and for the year ended June 30, 2012, 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, 2012 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, 2012, 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, 2012, 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 all 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 9, 2012 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, 2012, the Village has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund 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 financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with

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

auditing standards generally accepted in the United States of America. In our opinion,
the information is fairly stated in all material respects in related to the basic financial
statements taken as a whole.

Pereh & Associates LLC

Albuquerque, New Mexico
November 9, 2012

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,186,237	297,750	1,483,987
Cash and cash equivalents - restricted	-	108,868	108,868
Receivables			
Taxes			
Gross receipts	45,640	-	45,640
Gasoline	3,627	-	3,627
Motor vehicle	7,437	-	7,437
Property	360	-	360
Franchise	3,262	-	3,262
Grant	-	1,272	1,272
Accounts receivable, net of allowance	-	62,888	62,888
Deposits	31,229	29,659	60,888
Inventory	-	17,121	17,121
Prepaid expenses	-	4,654	4,654
Capital assets, not depreciated	84,475	384,161	468,636
Capital assets, net of accumulated depreciation	2,955,541	7,481,738	10,437,279
Total assets	4,317,808	8,388,111	12,705,919
LIABILITIES			
Accounts payable	4,608	38,024	42,632
Accrued compensation and benefits	4,725	5,953	10,678
Insurance contract payable	-	3,658	3,658
Interest payable	-	6,605	6,605
Deposits payable	-	33,213	33,213
Noncurrent liabilities:			
Compensated absences, due in one year	7,113	2,606	9,719
Long-term liabilities, due in one year	21,429	17,379	38,808
Long-term liabilities, due in more than one year	21,428	256,244	277,672
Total liabilities	59,303	363,682	422,985
NET ASSETS			
Invested in capital assets, net of related debt	2,997,159	7,592,276	10,589,435
Restricted for debt service	-	102,088	102,088
Unrestricted	1,261,346	330,065	1,591,411
Total net assets	\$ 4,258,505	8,024,429	12,282,934

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

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	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 548,125	5,640	203,513	-	(338,972)	-	(338,972)
Public safety	136,024	-	121,444	-	(14,580)	-	(14,580)
Highways and streets	356	-	-	-	(356)	-	(356)
Health and welfare	604	-	-	-	(604)	-	(604)
Total governmental activities	685,109	5,640	324,957	-	(354,512)	-	(354,512)
Business-type activities							
Waste water	294,072	97,839	-	-	-	(196,233)	(196,233)
Water	248,739	252,694	-	-	-	3,955	3,955
Housing authority	295,864	89,905	149,300	18,306	-	(38,353)	(38,353)
Total business-type activities	838,675	440,438	149,300	18,306	-	(230,631)	(230,631)
Total primary government	\$ 1,523,784	446,078	474,257	18,306	(354,512)	(230,631)	(585,143)
General Revenues							
Franchise taxes					14,887	-	14,887
Gasoline taxes					20,901	-	20,901
Gross receipts taxes					259,304	-	259,304
Property taxes					10,479	-	10,479
Motor vehicle tax					49,863	-	49,863
Cigarette tax					2	-	2
Transfers, net					(86,430)	86,430	-
Other					8,761	25,112	33,873
Interest					678	1,282	1,960
Total general revenues, special items and transfers					278,445	112,824	391,269
Change in net assets					(76,067)	(117,807)	(193,874)
Net assets, beginning of year					4,334,572	8,142,236	12,476,808
Net assets, end of year					\$ 4,258,505	8,024,429	12,282,934

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

**VILLAGE OF PECOS, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Fire Protection	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 678,683	63,947	443,607	1,186,237
Receivables				
Taxes				
Gross receipts	44,595	-	1,045	45,640
Gasoline	-	-	3,627	3,627
Motor vehicle	7,437	-	-	7,437
Property	360	-	-	360
Franchise	3,262	-	-	3,262
Deposits	31,229	-	-	31,229
Total assets	\$ 765,566	63,947	448,279	1,277,792
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,608	-	-	4,608
Accrued compensation and benefits	4,725	-	-	4,725
Total liabilities	9,333	-	-	9,333
FUND BALANCES				
Restricted for:				
Special revenue funds	-	63,947	378,850	442,797
Assigned to:				
Special revenue funds	-	-	69,429	69,429
Unassigned:				
General fund	756,233	-	-	756,233
Total fund balances	756,233	63,947	448,279	1,268,459
Total liabilities and fund balances	\$ 765,566	63,947	448,279	1,277,792

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, 2012

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

Total fund balance - governmental funds	\$ 1,268,459
Accrued compensated absences not payable from current revenues.	(7,113)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,040,016
Long-term notes payable are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(42,857)</u>
Net assets - governmental activities	<u><u>\$ 4,258,505</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, 2012

	General	Fire Protection	Nonmajor Governmental Funds	Total
Revenues				
Taxes	\$ 332,422	-	23,014	355,436
From local governments:				
Grants	203,513	99,944	21,500	324,957
Licenses, permits, fees and fines	5,640	-	-	5,640
Interest	626	52	-	678
Other	2,985	5,776	-	8,761
Total revenues	<u>545,186</u>	<u>105,772</u>	<u>44,514</u>	<u>695,472</u>
Expenditures				
Current				
General government	460,466	-	-	460,466
Public safety	-	66,566	11,653	78,219
Highways and streets	-	-	356	356
Health and welfare	-	-	604	604
Debt service - principal	42,857	-	-	42,857
Capital outlay	12,219	17,629	12,473	42,321
Total expenditures	<u>515,542</u>	<u>84,195</u>	<u>25,086</u>	<u>624,823</u>
Excess (deficiency) of revenues over expenditures before other financings sources	<u>29,644</u>	<u>21,577</u>	<u>19,428</u>	<u>70,649</u>
Other financing sources (uses)				
Operating transfers, in	4,075	-	-	4,075
Operating transfers, out	(86,430)	-	(4,075)	(90,505)
Total other financing sources (uses)	<u>(82,355)</u>	<u>-</u>	<u>(4,075)</u>	<u>(86,430)</u>
Net change in fund balances	<u>(52,711)</u>	<u>21,577</u>	<u>15,353</u>	<u>(15,781)</u>
Fund balance, beginning	808,944	42,370	432,926	1,284,240
Fund balance, end of year	<u>\$ 756,233</u>	<u>63,947</u>	<u>448,279</u>	<u>1,268,459</u>

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

VILLAGE OF PECOS, NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

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

Net changes in fund balances - governmental funds \$ (15,781)

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	(144,802)	
Capital outlay	<u>42,324</u>	
Excess of depreciation expense over capital outlay		(102,478)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 42,857

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (665)

Change in net assets - governmental activities \$ (76,067)

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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 386,247	388,527	338,974	(49,553)
From federal government				
Grants	50,000	50,000	-	(50,000)
From local governments				
Grants	175,710	175,710	203,513	27,803
Licenses, permits, fees and fines	5,716	5,716	5,640	(76)
Interest	-	-	626	626
Other	4,390	4,390	2,985	(1,405)
Total revenues	622,063	624,343	551,738	(72,605)
Expenditures				
General government	1,482,063	1,482,063	457,089	1,024,974
Debt service - principal	-	-	42,857	(42,857)
Capital outlay	-	-	12,219	(12,219)
Total expenditures	1,482,063	1,482,063	512,165	969,898
Excess (deficiency) of revenues over expenditures	(860,000)	(857,720)	39,573	897,293
Other financing sources (uses)				
Operating transfers in	3,873	3,873	4,074	201
Operating transfers out	(21,428)	(21,428)	(86,430)	(65,002)
Total other financing sources (uses)	(17,555)	(17,555)	(82,356)	(64,801)
Net change in fund balance	(877,555)	(875,275)	(42,783)	832,492
Fund balance, beginning of year	808,944	808,944	808,944	-
Fund balance, end of year	\$ (68,611)	(66,331)	766,161	832,492
Non-GAAP change in fund balance			\$ (42,783)	
Change in:				
Taxes receivable			(6,552)	
Accounts payable			(4,453)	
Accrued compensation and benefits			1,077	
GAAP change in fund balance			<u>\$ (52,711)</u>	

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From local governments				
Grants	\$ 101,495	101,495	99,944	(1,551)
Interest income	-	-	52	52
Other	50	50	5,776	5,726
Total revenues	101,545	101,545	105,772	4,227
Expenditures				
Public safety	101,545	101,545	65,950	35,595
Capital outlay	-	-	17,629	(17,629)
Total expenditures	101,545	101,545	83,579	17,966
Net change in fund balance	-	-	22,193	22,193
Fund balance, beginning of year	42,370	42,370	42,370	-
Fund balance, end of year	\$ 42,370	42,370	64,563	22,193
Non-GAAP change in fund balance			\$ 22,193	
Change in:				
Accounts payable			(616)	
GAAP change in fund balance			<u>\$ 21,577</u>	

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

VILLAGE OF PECOS, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2012

	Waste Water	Water	Housing Authority	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 167,875	112,516	17,359	297,750
Cash and cash equivalents - restricted	53,141	48,947	6,780	108,868
Accounts receivable, net of allowance	25,911	36,573	404	62,888
Grants receivable	-	-	1,272	1,272
Inventory	-	-	17,121	17,121
Deposits	-	29,659	-	29,659
Prepaid expenses	-	-	4,654	4,654
Total current assets	246,927	227,695	47,590	522,212
Capital Assets				
Land	-	11,248	14,400	25,648
Water rights	-	238,636	-	238,636
Construction work in progress	38,147	81,730	-	119,877
Buildings and improvements	6,362,468	701,594	1,477,532	8,541,594
Equipment	124,137	318,436	108,216	550,789
Infrastructure	196,135	356,006	-	552,141
Accumulated depreciation	(251,509)	(987,473)	(923,804)	(2,162,786)
Total capital assets, net of accumulated depreciation	6,469,378	720,177	676,344	7,865,899
Total assets	\$ 6,716,305	947,872	723,934	8,388,111
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 2,533	18,615	16,876	38,024
Accrued compensation and benefits	1,591	1,334	3,028	5,953
Insurance contract payable	-	-	3,658	3,658
Interest payable	-	6,605	-	6,605
Deposits payable	-	26,433	6,780	33,213
Compensated absences	535	535	1,536	2,606
Loans payable - current	-	1,179	-	1,179
Bonds payable - current	-	16,200	-	16,200
Total current liabilities	4,659	70,901	31,878	107,438
Noncurrent Liabilities				
Loans payable	-	15,548	-	15,548
Bonds payable	-	240,696	-	240,696
Total noncurrent liabilities	-	256,244	-	256,244
Total liabilities	4,659	327,145	31,878	363,682
Net Assets				
Invested in capital assets, net of related debt	6,469,378	446,554	676,344	7,592,276
Restricted for:				
Debt service	53,141	48,947	-	102,088
Unrestricted	189,127	125,226	15,712	330,065
Total net assets	6,711,646	620,727	692,056	8,024,429
Total liabilities and net assets	\$ 6,716,305	947,872	723,934	8,388,111

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, 2012**

	Waste Water	Water	Housing Authority	Total
Operating Revenues				
Sales, services, and rents	\$ 97,839	252,694	89,905	440,438
From federal sources - operating grants	-	-	149,300	149,300
Total operating revenues	<u>97,839</u>	<u>252,694</u>	<u>239,205</u>	<u>589,738</u>
Operating Expenses				
Operating expenses	135,910	209,923	242,589	588,422
Depreciation	158,162	25,647	53,275	237,084
Total operating expenses	<u>294,072</u>	<u>235,570</u>	<u>295,864</u>	<u>825,506</u>
Operating (Loss) Income	<u>(196,233)</u>	<u>17,124</u>	<u>(56,659)</u>	<u>(235,768)</u>
Nonoperating Revenues (Expenses)				
Capital grants	-	-	18,306	18,306
Interest income	844	438	-	1,282
Interest expense	-	(13,169)	-	(13,169)
Other income	-	25,112	-	25,112
Total nonoperating revenues (expenses) before transfers	<u>844</u>	<u>12,381</u>	<u>18,306</u>	<u>31,531</u>
Transfers in	70,667	30,547	-	101,214
Transfers out	(14,784)	-	-	(14,784)
Total transfers, net	<u>55,883</u>	<u>30,547</u>	<u>-</u>	<u>86,430</u>
Net (loss) income	<u>(139,506)</u>	<u>60,052</u>	<u>(38,353)</u>	<u>(117,807)</u>
Net assets, beginning of year	<u>6,851,152</u>	<u>560,675</u>	<u>730,409</u>	<u>8,142,236</u>
Net assets, end of year	<u>\$ 6,711,646</u>	<u>620,727</u>	<u>692,056</u>	<u>8,024,429</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, 2012

	Waste Water	Water	Housing Authority	Total
Cash Flows From Operating Activities				
Cash received from customers, tenants	\$ 87,096	253,783	88,764	429,643
Cash received from HUD for operations	-	-	148,028	148,028
Cash payments to vendors and employees	(135,862)	(198,360)	(236,377)	(570,599)
Net cash (used) provided by operating activities	(48,766)	55,423	415	7,072
Cash Flows From Noncapital and Related Financing Activities				
Other income	-	25,112	-	25,112
Transfers, net	55,883	30,547	-	86,430
Net cash provided by noncapital financing activities	55,883	55,659	-	111,542
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(83,221)	(61,951)	(20,119)	(165,291)
Reimbursement of capital asset project costs	64,741	-	-	64,741
HUD contributions for capital acquisitions	-	-	18,306	18,306
Principle payment on loans	-	(17,388)	-	(17,388)
Principle payment on bonds	-	(15,200)	-	(15,200)
Interest payment on bonds and loans	-	(14,781)	-	(14,781)
Net cash used by capital and related financing activities	(18,480)	(109,320)	(1,813)	(129,613)
Cash Flows From Investing Activities				
Interest income	844	438	-	1,282
Net cash provided by investing activities	844	438	-	1,282
Net change in cash and cash equivalents	(10,519)	2,200	(1,398)	(9,717)
Cash and cash equivalents, beginning of year	231,535	159,263	25,537	416,335
Cash and cash equivalents, end of year	\$ 221,016	161,463	24,139	406,618

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, 2012

	Waste Water	Water	Housing Authority	Total
Operating (loss) income	\$ (196,233)	17,124	(56,659)	(235,768)
Adjustments to reconcile operating income to net cash flows:				
Depreciation expense	158,162	25,647	53,275	237,084
Changes in assets and liabilities:				
Accounts receivable	(10,743)	1,089	(270)	(9,924)
Grants receivable	-	-	(1,272)	(1,272)
Prepaid expenses	-	-	1,000	1,000
Inventory	-	-	2,511	2,511
Accounts payable	2,448	9,756	2,074	14,278
Insurance contract payable	-	-	(534)	(534)
Accrued expenses	(1,850)	2,357	513	1,020
Compensated absences	(550)	(550)	754	(346)
Deposits payable	-	-	(873)	(873)
Other current liabilities	-	-	(104)	(104)
Net cash (used) provided by operating activities	\$ (48,766)	55,423	415	7,072

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

**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, 2012

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, money market 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, 2012

**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, 2012

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, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Fund Equity (Continued)

Major Funds

The Fire Protection Fund has restricted funds of \$63,947 at June 30, 2012, 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 \$5,665.

Law Enforcement Protection Fund: annual LEPF allotment \$9,140.

Municipal Street Fund: gasoline taxes \$364,045.

The remaining Special Revenue Funds Assigned Fund Balance of \$69,429 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, 2012

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 deposits, money market accounts, savings accounts, certificates 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, 2012

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, 2012, the Village adopted Government Accounting Standards Board Statement (GASB) No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The statement will not 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, 2012, the Village's bank balance total of \$1,688,185 was exposed to credit risk in the amount of \$1,344,098 as follows:

Uninsured and collateral held by pledging bank's trust department or agent but not in the Village's name	<u>\$ 695,000</u>
Uninsured and uncollateralized	<u>\$ 649,098</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 FDIC or NCUSIF coverage at each financial institution.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2. CASH AND INVESTMENTS (Continued)

The total balance in any single financial institution may at times exceed the FDIC or NCUSIF 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, 2012:

	Waste Water	Water
Accounts receivable	\$ 26,248	37,343
Allowance for uncollectible accounts	(337)	(770)
	<u>\$ 25,911</u>	<u>36,573</u>

Accounts receivable for the housing authority, which consists of unpaid tenant charges for rent and related charges, is \$404 at June 30, 2012. 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, 2012

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2012 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, not depreciated:				
Land	\$ 84,475	-	-	84,475
Total, not depreciated	\$ 84,475	-	-	84,475
Capital assets, depreciated:				
Buildings and improvements	\$ 2,689,149	10,155	-	2,699,304
Infrastructure	409,406	-	-	409,406
Equipment	788,018	32,169	-	820,187
Total, depreciated	3,886,573	42,324	-	3,928,897
Accumulated depreciation for:				
Buildings and improvements	315,570	60,344	-	375,914
Infrastructure	21,800	9,212	-	31,012
Equipment	491,184	75,246	-	566,430
Total accumulated depreciation	828,554	144,802	-	973,356
Total capital assets, depreciated, net	\$ 3,058,019	(102,478)	-	2,955,541
Total capital assets, net	\$ 3,142,494	(102,478)	-	3,040,016

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

Governmental activities

General government	\$ 86,997
Public safety	<u>57,805</u>
Total depreciation expense	<u>\$ 144,802</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 20, 2012 is as follows:

	Beginning				Ending
	Balance	Additions	Deletions	Transfers	Balance
Business-type Activities					
Capital assets, not depreciated:					
Land	\$ 25,648	-	-	-	25,648
Water rights	238,636	-	-	-	238,636
Construction in process	83,621	51,069	-	(14,813)	119,877
Total, not depreciated	\$ 347,905	51,069	-	(14,813)	384,161
Capital assets, depreciated:					
Buildings and improvements	\$ 8,568,218	23,304	(64,741)	14,813	8,541,594
Equipment	489,531	61,258	-	-	550,789
Infrastrcture	552,141	-	-	-	552,141
Total, depreciated	9,609,890	84,562	(64,741)	14,813	9,644,524
Accumulated depreciation for:					
Buildings and improvements	1,485,414	198,092	-	-	1,683,506
Equipment	305,857	25,188	-	-	331,045
Infrastrcture	134,431	13,804	-	-	148,235
Total accumulated depreciation	1,925,702	237,084	-	-	2,162,786
Total capital assets, depreciated, net	\$ 7,684,188	(152,522)	(64,741)	14,813	7,481,738
Total capital assets, net	\$ 8,032,093	(101,453)	(64,741)	-	7,865,899

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2012, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 6,448	6,868	(6,203)	7,113	7,113
Notes payable	85,714	-	(42,857)	<u>42,857</u>	<u>21,429</u>
Total	<u>\$ 92,162</u>	<u>6,868</u>	<u>(49,060)</u>	<u>49,970</u>	<u>28,542</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, 2012:

Consulting and auditing loan for \$150,000, non-interest bearing, payments of \$21,429 annually in June, maturing June 30, 2014	<u>\$ 42,857</u>
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VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

The future requirements for notes payable are as follows:

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

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2012, the following changes occurred:

	Beginning Balance	Adjustments and Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 2,170	3,154	(4,254)	1,070	1,070
Notes payable	34,115	-	(17,388)	16,727	1,179
Bonds payable	<u>272,096</u>	-	<u>(15,200)</u>	<u>256,896</u>	16,200
Total	<u>\$ 308,381</u>	<u>3,154</u>	<u>(36,842)</u>	<u>274,693</u>	18,449

The Housing Authority has \$1,536 in compensated absences payable at June 30, 2012.

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, 2012:

Rural Infrastructure loan for \$25,000, interest at 3%, payments of \$1,680 annually in June, maturing June 14, 2024	<u>\$ 16,727</u>
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VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
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	1,327	353	1,680
2018 to 2022	7,254	1,146	8,400
2023 to 2024	3,215	145	3,360
	<u>\$ 16,727</u>	<u>3,433</u>	<u>20,160</u>

Bonds Payable.

The Village issued \$450,000 in Water and Sewer System Revenue Bonds, Series 1984. Interest is at 5% and the bonds mature January 1, 2025.

The 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
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	19,600	9,703	29,303
2018 to 2022	115,100	32,211	147,311
2023 to 2025	53,796	4,357	58,153
	<u>\$ 256,896</u>	<u>94,076</u>	<u>350,972</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 8. INTERFUND TRANSFERS

Operating transfers to other funds consists of the following:

Transfers from general fund to:	
Waste water fund	\$ 56,771
Water fund	<u>29,659</u>
Total transfers from general fund	<u>\$ 86,430</u>
Transfers to waste water fund from:	
Water fund	<u>\$ 888</u>
Transfers to waste water fund from:	
Waste water – interfund transfer	<u>\$ 13,896</u>
Transfers from nonmajor funds to:	
General fund	<u>\$ 4,075</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 \$57,511 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, 2012

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 16.2% (for fire personnel) and 13.15% (for regular members) of their gross salary. The Village is required to contribute 21.25 (for fire personnel) and 9.15% (for regular members) 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, 2012, 2011 and 2010 were \$48,782, \$47,345, and \$43,186, 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.

**VILLAGE OF PECOS, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the 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.

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year 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>
FY13	2.000%	1.000%

**VILLAGE OF PECOS, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012**

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, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

For employees who are 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>
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, 2012, 2011, and 2010, the Village remitted \$4,394, \$3,932, and \$2,430, 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 \$0 to \$5,000.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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. RELATED PARTY TRANSACTIONS

In the year under audit, construction services were procured via quotes for a watershed reuse project from a construction company owned by the brother of a Village employee. The quoted cost of the project was \$19,450. The Village paid the contractor \$9,725 in May 2012 in advance of any services being performed. The contractor subsequently informed the Village that they would be unable to complete the contract for the quoted price and agreed to return the down payment received from the Village. The Village agreed to allow the contractor to make repayment in installments. As of June 30, 2012, the contractor had not repaid the down payment. A contract receivable is recorded in the financial statements of the waste water fund for \$9,725. As of the date of audit testwork, the contractor had repaid \$3,300.

NOTE 15. 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, 2012, management estimates that no material liabilities will result from such audits.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 16. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 9, 2012, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2012.

VILLAGE OF PECOS, NEW MEXICO
NONMAJOR FUNDS
June 30, 2012

SPECIAL REVENUE FUNDS

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.

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.

VILLAGE OF PECOS, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2012

	Special Revenue		
	Environmental Gross Receipts Tax	Emergency Medical Services	Law Enforcement Protection
ASSETS			
Cash	\$ 63,790	5,665	9,140
Receivables			
Taxes			
Gross receipts	1,045	-	-
Gasoline	-	-	-
Total assets	\$ 64,835	5,665	9,140
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
FUND BALANCES			
Restricted for special revenues	-	5,665	9,140
Assigned to special revenues	64,835	-	-
Total fund balances	64,835	5,665	9,140
Total liabilities and fund balances	\$ 64,835	5,665	9,140

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2012**

	<u>Special Revenue</u>		Total Nonmajor
	Street	Recreation	
ASSETS			
Cash	\$ 360,418	4,594	443,607
Receivables			
Taxes			
Gross receipts	-	-	1,045
Gasoline	3,627	-	3,627
Total assets	<u>\$ 364,045</u>	<u>4,594</u>	<u>448,279</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES			
Restricted for special revenues	364,045	-	378,850
Assigned to special revenues	-	4,594	69,429
Total fund balances	<u>364,045</u>	<u>4,594</u>	<u>448,279</u>
 Total liabilities and fund balances	<u>\$ 364,045</u>	<u>4,594</u>	<u>448,279</u>

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2012**

	Special Revenue		
	Environmental Gross Receipts Tax	Emergency Medical Services	Law Enforcement Protection
Revenues			
Taxes	\$ 5,965	-	-
Grant	-	1,500	20,000
	<hr/>		
Total revenues	5,965	1,500	20,000
	<hr/>		
Expenditures			
Current			
Public safety	-	-	11,653
Health and welfare	604	-	-
Highways and streets	-	-	-
Capital outlay	-	-	12,473
	<hr/>		
Total expenditures	604	-	24,126
	<hr/>		
Excess of revenues over expenditures	5,361	1,500	(4,126)
	<hr/>		
Other Financing (Uses) Sources			
Operating transfers, out	-	-	-
Total other financing (uses) sources	-	-	-
	<hr/>		
Net change in fund balances	5,361	1,500	(4,126)
	<hr/>		
Fund balance, beginning	59,474	4,165	13,266
	<hr/>		
Fund balance, end of year	\$ 64,835	5,665	9,140
	<hr/> <hr/>		

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2012**

	<u>Special Revenue</u>		Total Non-major
	Street	Recreation	
Revenues			
Taxes	\$ 17,049	-	23,014
Grant	-	-	21,500
	<hr/>		
Total revenues	17,049	-	44,514
	<hr/>		
Expenditures			
Current			
Public safety	-	-	11,653
Health and welfare	-	-	604
Highways and streets	356	-	356
Capital outlay	-	-	12,473
	<hr/>		
Total expenditures	356	-	25,086
	<hr/>		
Excess of revenues over expenditures	16,693	-	19,428
	<hr/>		
Other Financing (Uses) Sources			
Operating transfers, out	-	(4,075)	(4,075)
Total other financing (uses) sources	-	(4,075)	(4,075)
	<hr/>		
Net change in fund balances	16,693	(4,075)	15,353
Fund balance, beginning	347,352	8,669	432,926
	<hr/>		
Fund balance, end of year	\$ 364,045	4,594	448,279
	<hr/> <hr/>		

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, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,550	6,763	6,106	(657)
Other	213	-	-	-
Total revenues	6,763	6,763	6,106	(657)
Expenditures				
Health and welfare	6,763	6,793	604	6,189
Total expenditures	6,763	6,793	604	6,189
Net change in fund balance	-	(30)	5,502	5,532
Fund balance, beginning of year	59,474	59,474	59,474	-
Fund balance, end of year	\$ 59,474	59,444	64,976	5,532
Non-GAAP change in fund balance			5,502	
Change in:				
Taxes receivable			(141)	
GAAP change in fund balance			<u>\$ 5,361</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, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 1,500	1,500	1,500	-
Total revenues	1,500	1,500	1,500	-
Expenditures				
Public safety	1,500	1,500	-	1,500
Total expenditures	1,500	1,500	-	1,500
Net change in fund balance	-	-	1,500	1,500
Fund balance, beginning of year	4,165	4,165	4,165	-
Fund balance, end of year	\$ 4,165	4,165	5,665	1,500

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2012

	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	24,735	24,735	11,653	13,082
Capital outlay	-	-	12,473	(12,473)
Total expenditures	24,735	24,735	24,126	609
Net change in fund balance	(4,735)	(4,735)	(4,126)	609
Fund balance, beginning of year	13,266	13,266	13,266	-
Fund balance, end of year	\$ 8,531	8,531	9,140	609

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STREET
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Gasoline taxes	\$ 22,206	22,206	17,839	(4,367)
Total revenues	22,206	22,206	17,839	(4,367)
Expenditures				
Highways and streets	22,206	22,206	356	21,850
Total expenditures	22,206	22,206	356	21,850
Net change in fund balance	-	-	17,483	17,483
Fund balance, beginning of year	347,352	347,352	347,352	-
Fund balance, end of year	\$ 347,352	347,352	364,835	17,483
Non-GAAP change in fund balance			\$ 17,483	
Change in:				
Taxes receivable			(790)	
GAAP change in fund balance			<u>\$ 16,693</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Cigarette tax	\$ -	-	-	-
Interest	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers out	(3,873)	(3,873)	(4,075)	(202)
Total other financing uses	(3,873)	(3,873)	(4,075)	(202)
Net change in fund balance	(3,873)	(3,873)	(4,075)	(202)
Fund balance, beginning of year	8,669	8,669	8,669	-
Fund balance, end of year	\$ 4,796	4,796	4,594	(202)

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WASTE WATER ENTERPRISE
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales, services and rents	\$ 104,756	104,756	87,096	(17,660)
Other revenue	-	64,741	-	(64,741)
Interest	-	-	844	844
Total revenues	104,756	169,497	87,940	(81,557)
Expenses				
Operating	184,334	249,075	135,862	113,213
Capital outlay	-	-	69,326	(69,326)
Total expenditures	184,334	249,075	205,188	43,887
Excess of revenues over expenditures	(79,578)	(79,578)	(117,248)	(37,670)
Other financing sources (uses)				
Operating transfers in	-	-	70,667	70,667
Operating transfers out			(14,784)	(14,784)
Total other financing sources (uses)	-	-	55,883	55,883
Net change in net assets	(79,578)	(79,578)	(61,365)	18,213
Net assets, beginning of year	6,851,152	6,851,152	6,851,152	-
Net assets, end of year	\$ 6,771,574	6,771,574	6,789,787	18,213
Non-GAAP change in fund balance			\$ (61,365)	
Change in:				
Utility receivables			10,743	
Accounts payable			(2,448)	
Accrued compensation and benefits			1,850	
Compensated absences			550	
Capital expenditures capitalized			69,326	
Non-budgeted items				
Depreciation			(158,162)	
GAAP change in net assets			\$ (139,506)	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER ENTERPRISE
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Sales, services and rents	\$ 256,523	254,389	253,783	(606)
Federal grant income	596,302	596,302	-	(596,302)
Interest	-	104	438	334
Other	-	2,031	25,112	23,081
Total revenues	852,825	852,826	279,333	(573,493)
Expenses				
Operating	332,488	332,488	199,972	132,516
Capital outlay	596,302	596,302	61,951	534,351
Debt service	21,428	21,428	45,757	(24,329)
Total expenditures	950,218	950,218	307,680	642,538
Excess of revenues over expenditures before other financing uses	(97,393)	(97,392)	(28,347)	69,045
Other financing uses				
Operating transfers in	21,248	21,248	30,547	9,299
Total other financing sources	21,248	21,248	30,547	9,299
Net change in net assets	(76,145)	(76,144)	2,200	78,344
Net assets, beginning of year	560,675	560,675	560,675	-
Net assets, end of year	\$ 484,530	484,531	562,875	78,344
Non-GAAP change in fund balance			\$ 2,200	
Change in:				
Accounts receivable			(1,089)	
Accounts payable			(9,756)	
Accrued compensation and benefits			(2,357)	
Interest payable			1,612	
Compensated absences			550	
Non-budgeted items				
Debt service principal			32,588	
Capital expenditures capitalized			61,951	
Depreciation			(25,647)	
GAAP change in net assets			\$ 60,052	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
HOUSING AUTHORITY ENTERPRISE
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Intergovernmental - federal	\$ 91,790	91,790	91,789	(1)
Charges for services	90,220	90,220	89,905	(315)
Operating grants	20,000	20,000	57,511	37,511
Capital grants	60,000	60,000	18,306	(41,694)
Interest	200	200	-	(200)
Total revenues	262,210	262,210	257,511	(4,699)
Expenses				
Administration	90,700	90,700	73,286	17,414
Utilities	48,300	48,300	50,490	(2,190)
Maintenance	77,200	77,200	107,675	(30,475)
Capital outlay	60,000	60,000	-	60,000
General	12,500	12,500	11,138	1,362
Total expenditures	288,700	288,700	242,589	46,111
Excess of revenues over expenditures	(26,490)	(26,490)	14,922	41,412
Other financing sources (uses)				
Operating transfers in	21,469	21,469	-	(21,469)
Total other financing sources (uses)	21,469	21,469	-	(21,469)
Net change in net assets	(5,021)	(5,021)	14,922	19,943
Net assets, beginning of year	730,409	730,409	730,409	-
Net assets, end of year	\$ 725,388	725,388	745,331	19,943
Non-GAAP change in fund balance			\$ 14,922	
Non-budgeted items				
Depreciation			(53,275)	
GAAP change in net assets			\$ (38,353)	

VILLAGE OF PECOS, NEW MEXICO
AGENCY FUNDS
June 30, 2012

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, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
MOTOR VEHICLE FUND				
ASSETS				
Cash	\$ 50	289,780	289,780	50
Total assets	<u>\$ 50</u>	<u>289,780</u>	<u>289,780</u>	<u>50</u>
LIABILITIES				
Due to other entities	\$ 50	289,780	289,780	50
Total liabilities	<u>\$ 50</u>	<u>289,780</u>	<u>289,780</u>	<u>50</u>

VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2012

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Interest bearing checking	Southwest Capital Bank	Allocated Cash	\$ 1,229,033	1,149,335
Interest bearing checking	Southwest Capital Bank	Fire Protection	84,046	77,971
Interest bearing checking	Southwest Capital Bank	Water and Sewer Enterprise	223,647	221,861
Interest bearing checking	Southwest Capital Bank	Payroll	23,394	17,412
Interest bearing checking	Southwest Capital Bank	Water Deposit	33,978	33,697
Interest bearing checking	Southwest Capital Bank	Pecos Housing Authority	17,504	15,896
Interest bearing checking	Southwest Capital Bank	Pecos Housing Authority	34	34
Interest bearing checking	Southwest Capital Bank	Pecos Housing Authority	6,734	6,734
Money market	Southwest Capital Bank	Pecos Housing Authority	1,425	1,425
Savings	Del Norte Credit Union	Sewer System Reserve Fund	17,751	17,751
Savings	Southwest Capital Bank	Village of Pecos Savings	1,236	1,236
CD	Southwest Capital Bank	Water and Sewer Enterprise	49,403	49,403
			<u>1,688,185</u>	<u>1,592,755</u>
	Petty Cash	Utility Clerk	-	50
	Petty Cash	Pecos Housing Authority	-	50
	Total deposit accounts - non-agency		<u>\$ 1,688,185</u>	<u>1,592,855</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, 2012

	Village		Housing	Total
	Southwest Capital Bank	Del Norte Credit Union	Southwest Capital Bank	
Deposits at June 30, 2012	\$ 1,644,737	17,751	25,697	1,688,185
Less: FDIC or NCUSIF coverage	300,639	17,751	25,697	344,087
Uninsured public funds	1,344,098	-	-	1,344,098
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	695,000	-	-	695,000
Uninsured and uncollateralized	\$ 649,098	-	-	649,098
50% pledged collateral requirement per statute	\$ 672,049	-	-	672,049
Total pledged collateral	695,000	-	-	695,000
Pledged collateral over the requirement	\$ (22,951)	-	-	(22,951)

Pledged collateral at June 30, 2012 consists of the following:

Security	CUSIP	Maturity	Par or Fair Mkt. Value
Alamogordo, NM 3.50%, muni bond	142723BA2	8/1/2018	300,000
Harris County Texas 4.25% bond	414150MH2	8/15/2018	145,000
Bernalillo, NM 4.00% bond	085279NX1	8/1/2019	250,000
Total pledged collateral			\$ 695,000

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, 2012

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, 2012, and have issued our report thereon dated November 9, 2012. 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

Management of the Village of Pecos is responsible for establishing and maintaining effective 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 was not 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, and 12-1.

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 2012-01 and 2012-02 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.

Pech & Associates LLC

Albuquerque, New Mexico
November 9, 2012

VILLAGE OF PECOS, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

Village of Pecos

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

Housing Authority

2011-1	Unaudited Financial Data Schedule Schedule Submission (FDS)	Resolved
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**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

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. 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.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

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

CAUSE

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

RECOMMENDATION

We recommend that the Village prepare a detailed disaster recovery plan. We further recommend that the Village consider developing policies and procedures governing the information technology function.

MANAGEMENT RESPONSE

We are engaging the services of a consultant who specializes in development and implementation of disaster recovery plans to assist us in this undertaking. We will ensure that the recommendations cited in this finding will be implemented as indicated, to include operating policies for the information technology function of the Village. Implementation of the disaster recovery plan will take place immediately upon completion. Policies for the information technology function will be immediately documented and implemented.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

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 two employees tested the I-9 forms were not complete and there was no supporting documentation on file for the forms of identification accepted.

CRITERIA

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

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.

MANAGEMENT RESPONSE

I-9 forms will be completed with appropriate supporting documentation for forms of identification. Payroll personnel have been instructed to periodically review the existence of all I-9 forms on file and ensure the information is accurate, complete, and properly supported.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

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 \$38,147 were added to the capital asset 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

The Village has recently developed both an Infrastructure Capital Improvement Plan and an Asset Management Plan to facilitate the acquisition, disposition, maintenance, and management of capital assets. In conjunction with these two plans, the Village is considering the addition of a fixed asset module to our accounting system to track capital assets and get into full compliance with GASB No. 34. A written policy will be developed and implemented for tracking additions and deletions and will be an integral part of the system.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

12-1 Bank Signers and Reconciliations – Significant Deficiency

CONDITION

As part of our audit we considered internal controls over cash accounts and reconciliations. We noted that there were four checks totaling \$3,699 in governmental funds and nine checks totaling \$552 in enterprise funds outstanding for more than six months at year end.

In addition as part of the audit it was discovered that a former employee no longer employed by the Village had not been removed as an authorized signer on one of the bank accounts at the time of audit testwork.

CRITERIA

One assertion inherent to the financial statements is existence. Good internal controls dictate that outstanding items older than one month should be reviewed for validity.

Good accounting practices dictate that regular review of authorized account signers is implemented to prevent fraud or misappropriation of funds.

EFFECT

Cash and expense balances may be misstated at year end.

Fraudulent transactions could have been conducted in the bank account and go undiscovered until bank statements are reconciled.

CAUSE

The Village does not have sufficient review processes in place to ensure that old outstanding items are regularly reviewed for validity. In addition processes are not sufficient to ensure that authorized signers on bank accounts are reviewed and unauthorized individuals are removed from bank accounts in a timely manner.

RECOMMENDATION

Outstanding checks and deposits older than one month should be reviewed to ensure they have been processed correctly and are valid, that the bank account has been reconciled correctly, or for other issues.

Management should regularly review individuals authorized on bank accounts to determine they are proper.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

12-1 Bank Signers and Reconciliations – Significant Deficiency (Continued)

MANAGEMENT RESPONSE

We will carefully review outstanding checks older than a month to determine their validity as part of the monthly reconciliation process.

A former Village employee will be immediately removed as an authorized signer on an existing bank account.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

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

**2012-01 Audit Report not Timely Submitted to State Auditor (Compliance and
Other Matters)**

CONDITION

The Village of Pecos Housing Authority audit report was not submitted to the Office of the State Auditor on or before the required due date.

CRITERIA

The Housing Authority was required to submit the audit reports for the year ended June 30, 2012 on or before September 30, 2012 per Section 2.2.2.9A (1) (a) of the Office of the State Auditor Rule 2012.

EFFECT

The Housing Authority is not in compliance with the Office of the State Auditor Audit Rule 2012. Furthermore, the federal award funding may be affected by the late submission of year end audit reports.

CAUSE

The Housing Authority was unable to submit the June 30, 2012 audit report in a timely manner due to prior obligations of the Independent Public Auditor.

RECOMMENDATION

The Housing Authority must ensure that all future audit report are filed in a timely manner.

MANAGEMENT RESPONSE

We have corrected this issue with our Independent Public Auditor and have executed a plan, as in we will contract the IPA long in advance for timely submission so as to prevent this from happening in the future.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

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

2012-02 Expenditures in Excess of Budget (Compliance and Other Matters)

CONDITION

The Housing Authority of the Village of Pecos had expenditures in excess of the approved budget in the Low Rent Housing Program during the year ended June 30, 2012 in the amount of \$33,889.

CRITERIA

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

EFFECT

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

CAUSE

Because the fee accountant reclassified the noncapital expenditures of the Capital Fund Program as a transfer out to the Low Rent Housing Program on the unaudited FDS submittal rather than as operating costs within the Capital Funds, Low Rent Housing Program absorbed \$57,511 in additional budgetary expenditures. Without these additional absorbed costs the budgeted expenditures would not have exceeded budget.

RECOMMENDATION

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

MANAGEMENT RESPONSE

We have reviewed our expenditures and have made a major change in our methodology in small procurement procedures. Effective immediately we have procured our necessary items for maintaining our Housing Authority per and R.F.B solicitation for a bulk purchase of all items needed over the entire year. This method has brought down our overall cost immensely. As a result we feel confident our miscellaneous cost during the upcoming year will be marginal at best thus allowing us to maintain an acceptable income to debt ratio.

**VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2012**

An exit conference was held on November 15, 2012, and attended by the following:

Village of Pecos, New Mexico

Tony Jose Roybal, Mayor
Joe M. Benavidez, 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.