

VILLAGE OF PECOS, NEW MEXICO
FINANCIAL STATEMENTS
JUNE 30, 2013

VILLAGE OF PECOS, NEW MEXICO

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VILLAGE OF PECOS, NEW MEXICO

List of Principal Officials

June 30, 2013

Elected Officials

| | |
|-----------------------|--|
| Tony Jose Roybal | Mayor |
| Joe Modesto Benavides | Mayor Pro-tem |
| Herman Gallegos | Trustee |
| Florencio Varela | Trustee Chairman, Housing Authority |
| James Varela | Trustee |

Administrative Officials

| | |
|------------------|-------------------|
| Ramona Quintana | Village Clerk |
| Arthur R. Varela | Village Treasurer |

Public Housing Authority Officials

| | |
|--------------------|--------------------|
| Ricardo Valenzuela | Executive Director |
|--------------------|--------------------|

Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Pecos, New Mexico (Village), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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 and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance 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 as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion & Analysis that accounting principles generally accepted in the United States of America require 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Ricci, Porch & Company LLC

Albuquerque, New Mexico
November 21, 2013

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF NET POSITION
June 30, 2013

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 875,741 | 276,892 | 1,152,633 |
| Cash and cash equivalents - restricted | - | 91,768 | 91,768 |
| Receivables | | | |
| Taxes | | | |
| Gross receipts | 77,029 | - | 77,029 |
| Gasoline | 2,546 | - | 2,546 |
| Motor vehicle | 7,351 | - | 7,351 |
| Property | 890 | - | 890 |
| Franchise | 3,792 | - | 3,792 |
| Accounts receivable, net of allowance | - | 60,346 | 60,346 |
| Inventory | - | 25,472 | 25,472 |
| Prepaid expenses | 6,625 | 7,531 | 14,156 |
| Total current assets | 973,974 | 462,009 | 1,435,983 |
| Noncurrent assets | | | |
| Capital assets, not depreciated | 84,475 | 422,606 | 507,081 |
| Capital assets, net of accumulated depreciation | 3,094,320 | 7,535,219 | 10,629,539 |
| Total noncurrent assets | 3,178,795 | 7,957,825 | 11,136,620 |
| Total assets | 4,152,769 | 8,419,834 | 12,572,603 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 4,579 | 21,145 | 25,724 |
| Accrued compensation and benefits | 4,541 | 5,175 | 9,716 |
| Interest payable | - | 6,190 | 6,190 |
| Deposits payable | - | 33,968 | 33,968 |
| Internal balances | 24,318 | (24,318) | - |
| Compensated absences, due in one year | 7,935 | 2,257 | 10,192 |
| Long-term liabilities, due in one year | 21,428 | 17,514 | 38,942 |
| Total current liabilities | 62,801 | 61,931 | 124,732 |
| Noncurrent liabilities: | | | |
| Long-term liabilities, due in more than one year | - | 238,765 | 238,765 |
| Total noncurrent liabilities | - | 238,765 | 238,765 |
| Total liabilities | 62,801 | 300,696 | 363,497 |
| NET POSITION | | | |
| Net investment in capital assets | 3,157,367 | 7,701,546 | 10,858,913 |
| Restricted for debt service | - | 84,233 | 84,233 |
| Unrestricted | 932,601 | 333,359 | 1,265,960 |
| Total net position | \$ 4,089,968 | 8,119,138 | 12,209,106 |

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

VILLAGE OF PECOS, NEW MEXICO
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2013

| Functions/Programs Primary government | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--|---------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|-------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Governmental activities | | | | | | | |
| General government | \$ 637,679 | 6,011 | 171,074 | 46,363 | (414,231) | - | (414,231) |
| Public safety | 93,799 | - | 118,223 | 100,000 | 124,424 | - | 124,424 |
| Highways and streets | 13,540 | - | - | - | (13,540) | - | (13,540) |
| Health and welfare | 5,598 | - | - | - | (5,598) | - | (5,598) |
| Total governmental activities | 750,616 | 6,011 | 289,297 | 146,363 | (308,945) | - | (308,945) |
| Business-type activities | | | | | | | |
| Waste water | 234,938 | 94,727 | - | - | - | (140,211) | (140,211) |
| Water | 289,413 | 251,788 | - | - | - | (37,625) | (37,625) |
| Housing authority | 291,020 | 91,854 | 149,415 | 11,425 | - | (38,326) | (38,326) |
| Total business-type activities | 815,371 | 438,369 | 149,415 | 11,425 | - | (216,162) | (216,162) |
| Total primary government | \$ 1,565,987 | 444,380 | 438,712 | 157,788 | (308,945) | (216,162) | (525,107) |
| General Revenues | | | | | | | |
| Franchise taxes | | | | | 15,482 | - | 15,482 |
| Gasoline taxes | | | | | 20,054 | - | 20,054 |
| Gross receipts taxes | | | | | 308,916 | - | 308,916 |
| Property taxes | | | | | 11,851 | - | 11,851 |
| Motor vehicle tax | | | | | 46,060 | - | 46,060 |
| Transfers, net | | | | | (277,953) | 277,953 | - |
| Other | | | | | 15,452 | 6,755 | 22,207 |
| Interest | | | | | 546 | 1,432 | 1,978 |
| Total general revenues, special items and transfers | | | | | 140,408 | 286,140 | 426,548 |
| Change in net position | | | | | (168,537) | 69,978 | (98,559) |
| Net position, beginning of year | | | | | 4,258,505 | 8,024,429 | 12,282,934 |
| Restatement | | | | | - | 24,731 | 24,731 |
| Net position, beginning of year, as restated | | | | | 4,258,505 | 8,049,160 | 12,307,665 |
| Net position, end of year | | | | | \$ 4,089,968 | 8,119,138 | 12,209,106 |

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

VILLAGE OF PECOS, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2013

| | General | Fire Protection | Nonmajor Governmental Funds | Total |
|--|-------------------|--------------------|-----------------------------------|----------------|
| ASSETS | | | | |
| Cash | \$ 395,539 | 25,498 | 454,704 | 875,741 |
| Receivables | | | | |
| Taxes | | | | |
| Gross receipts | 75,265 | - | 1,764 | 77,029 |
| Gasoline | - | - | 2,546 | 2,546 |
| Motor vehicle | 7,351 | - | - | 7,351 |
| Property | 890 | - | - | 890 |
| Franchise | 3,792 | - | - | 3,792 |
| Prepaid expenses | - | - | 6,625 | 6,625 |
| Due from other funds | 9,065 | - | - | 9,065 |
| Total assets | \$ 491,902 | 25,498 | 465,639 | 983,039 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 4,579 | - | - | 4,579 |
| Accrued compensation and benefits | 4,541 | - | - | 4,541 |
| Due to other funds | 21,321 | 539 | 11,523 | 33,383 |
| Total liabilities | 30,441 | 539 | 11,523 | 42,503 |
| Fund Balances | | | | |
| Restricted for: | | | | |
| Special revenue funds | - | 24,959 | 383,463 | 408,422 |
| Assigned to: | | | | |
| Special revenue funds | - | - | 71,050 | 71,050 |
| Unassigned: | | | | |
| General fund | 461,461 | - | - | 461,461 |
| Capital project fund | | | (397) | (397) |
| Total fund balances | 461,461 | 24,959 | 454,116 | 940,536 |
| Total liabilities and fund balances | \$ 491,902 | 25,498 | 465,639 | 983,039 |

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 POSITION
June 30, 2013

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

| | |
|---|----------------------------|
| Total fund balance - governmental funds | \$ 940,536 |
| Accrued compensated absences not payable from current revenues. | (7,935) |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 3,178,795 |
| Long-term notes payable are not due and payable in the current period and therefore are not reported in the governmental funds. | <u>(21,428)</u> |
| Net position of governmental activities | <u><u>\$ 4,089,968</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, 2013

| | General | Fire Protection | Nonmajor Governmental Funds | Total |
|---|-------------------|--------------------|-----------------------------------|------------------|
| Revenues | | | | |
| Taxes | \$ 383,616 | - | 18,747 | 402,363 |
| From state government: | | | | |
| Grants | 171,074 | 198,223 | 66,363 | 435,660 |
| Licenses, permits, fees and fines | 3,300 | - | - | 3,300 |
| Charges for services | 2,711 | - | - | 2,711 |
| Interest | 492 | 54 | - | 546 |
| Other | 15,038 | 414 | - | 15,452 |
| Total revenues | <u>576,231</u> | <u>198,691</u> | <u>85,110</u> | <u>860,032</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 546,555 | - | 397 | 546,952 |
| Public safety | - | 57,679 | 6,085 | 63,764 |
| Highways and streets | - | - | 13,540 | 13,540 |
| Health and welfare | - | - | 5,598 | 5,598 |
| Debt service - principal | 21,429 | - | - | 21,429 |
| Capital outlay | 31,229 | 220,200 | 7,290 | 258,719 |
| Total expenditures | <u>599,213</u> | <u>277,879</u> | <u>32,910</u> | <u>910,002</u> |
| Excess (deficiency) of revenues over expenditures before other financings sources | <u>(22,982)</u> | <u>(79,188)</u> | <u>52,200</u> | <u>(49,970)</u> |
| Other financing sources (uses) | | | | |
| Operating transfers, in | - | 40,200 | - | 40,200 |
| Operating transfers, out | (271,790) | - | (46,363) | (318,153) |
| Total other financing sources (uses) | <u>(271,790)</u> | <u>40,200</u> | <u>(46,363)</u> | <u>(277,953)</u> |
| Net change in fund balances | <u>(294,772)</u> | <u>(38,988)</u> | <u>5,837</u> | <u>(327,923)</u> |
| Fund balance, beginning | <u>756,233</u> | <u>63,947</u> | <u>448,279</u> | <u>1,268,459</u> |
| Fund balance, end of year | <u>\$ 461,461</u> | <u>24,959</u> | <u>454,116</u> | <u>940,536</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, 2013

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

Net changes in fund balances - governmental funds \$ (327,923)

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 | (119,940) | |
| Capital outlay | <u>258,719</u> | |
| Excess of depreciation expense over capital outlay | | 138,779 |

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

| | | |
|--|--|--------------|
| Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. | | <u>(822)</u> |
|--|--|--------------|

Change in net position - governmental activities \$ (168,537)

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, 2013

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|------------------|---------------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 396,657 | 396,657 | 351,972 | (44,685) |
| From federal government | | | | |
| Grants | 150,000 | 150,000 | - | (150,000) |
| From state government | | | | |
| Grants | 219,431 | 219,431 | 171,074 | (48,357) |
| Licenses, permits, fees and fines | 4,638 | 4,638 | 3,300 | (1,338) |
| Charges for services | 8,054 | 8,054 | 2,711 | (5,343) |
| Interest | 591 | 591 | 492 | (99) |
| Other | 1,624 | 1,624 | 15,038 | 13,414 |
| Total revenues | 780,995 | 780,995 | 544,587 | (236,408) |
| Expenditures | | | | |
| General government | 749,567 | 749,567 | 546,768 | 202,799 |
| Debt service - principal | 21,428 | 21,428 | 21,429 | (1) |
| Capital outlay | 760,000 | 760,000 | 31,229 | 728,771 |
| Total expenditures | 1,530,995 | 1,530,995 | 599,426 | 931,569 |
| Excess (deficiency) of revenues over expenditures | (750,000) | (750,000) | (54,839) | 695,161 |
| Other financing sources (uses) | | | | |
| Operating transfers out | - | (40,200) | (271,790) | (231,590) |
| Total other financing sources (uses) | - | (40,200) | (271,790) | (231,590) |
| Net change in fund balance | (750,000) | (790,200) | (326,629) | 463,571 |
| Fund balance, beginning of year | 766,161 | 766,161 | 766,161 | - |
| Fund balance, end of year | \$ 16,161 | (24,039) | 439,532 | 463,571 |
| Prior year cash appropriated | - | 24,039 | | |
| | \$ 16,161 | - | | |
| Non-GAAP change in fund balance | | | \$ (326,629) | |
| Change in: | | | | |
| Taxes receivable | | | 31,644 | |
| Accounts payable | | | 29 | |
| Accrued compensation and benefits | | | 184 | |
| GAAP change in fund balance | | | \$ (294,772) | |

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, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive (Negative) |
|--|------------------|-----------------|----------------|--|
| | Original | Final | | |
| Revenues | | | | |
| From state government | | | | |
| Grants | \$ 98,223 | 198,223 | 198,223 | - |
| Other | 56 | 56 | 468 | 412 |
| Total revenues | 98,279 | 198,279 | 198,691 | 412 |
| Expenditures | | | | |
| Public safety | 98,279 | 98,279 | 57,679 | 40,600 |
| Capital outlay | - | 220,200 | 220,200 | - |
| Total expenditures | 98,279 | 318,479 | 277,879 | 40,600 |
| Excess (deficiency) of revenues over expenditures | - | (120,200) | (79,188) | 41,012 |
| Other financing sources (uses) | | | | |
| Operating transfers in | - | 40,200 | 40,200 | - |
| Total other financing sources (uses) | - | 40,200 | 40,200 | - |
| Net change in fund balance | - | (80,000) | (38,988) | 41,012 |
| Fund balance, beginning of year | 64,563 | 64,563 | 64,563 | - |
| Fund balance, end of year | \$ 64,563 | (15,437) | 25,575 | 41,012 |
| Prior year cash appropriated | - | 15,437 | | |
| | \$ 64,563 | - | | |

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

VILLAGE OF PECOS, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2013

| | Waste Water | Water | Housing Authority | Total |
|--|---------------------|----------------|----------------------|------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 203,419 | 45,938 | 27,535 | 276,892 |
| Cash and cash equivalents - restricted | 34,559 | 49,674 | 7,535 | 91,768 |
| Accounts receivable, net of allowance | 17,556 | 42,102 | 688 | 60,346 |
| Inventory | - | - | 25,472 | 25,472 |
| Prepaid expenses | - | - | 7,531 | 7,531 |
| Due from other funds | 10,574 | 13,744 | - | 24,318 |
| Total current assets | <u>266,108</u> | <u>151,458</u> | <u>68,761</u> | <u>486,327</u> |
| Capital Assets | | | | |
| Land | - | 11,248 | 14,400 | 25,648 |
| Water rights | - | 238,636 | - | 238,636 |
| Construction work in progress | 41,620 | 116,702 | - | 158,322 |
| Buildings and improvements | 6,362,468 | 701,594 | 1,488,957 | 8,553,019 |
| Equipment | 163,321 | 357,116 | 108,216 | 628,653 |
| Infrastructure | 404,409 | 356,006 | - | 760,415 |
| Accumulated depreciation | (413,164) | (1,016,487) | (977,217) | (2,406,868) |
| Total capital assets, net of accumulated depreciation | <u>6,558,654</u> | <u>764,815</u> | <u>634,356</u> | <u>7,957,825</u> |
| Total assets | <u>\$ 6,824,762</u> | <u>916,273</u> | <u>703,117</u> | <u>8,444,152</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 1,986 | 6,610 | 12,549 | 21,145 |
| Accrued compensation and benefits | - | 1,817 | 3,358 | 5,175 |
| Interest payable | - | 6,190 | - | 6,190 |
| Deposits payable | - | 26,433 | 7,535 | 33,968 |
| Compensated absences | - | 1,044 | 1,213 | 2,257 |
| Loans payable - current | - | 1,214 | - | 1,214 |
| Bonds payable - current | - | 16,300 | - | 16,300 |
| Total current liabilities | <u>1,986</u> | <u>59,608</u> | <u>24,655</u> | <u>86,249</u> |
| Noncurrent Liabilities | | | | |
| Loans payable | - | 14,369 | - | 14,369 |
| Bonds payable | - | 224,396 | - | 224,396 |
| Total noncurrent liabilities | <u>-</u> | <u>238,765</u> | <u>-</u> | <u>238,765</u> |
| Total liabilities | <u>1,986</u> | <u>298,373</u> | <u>24,655</u> | <u>325,014</u> |
| Net Position | | | | |
| Invested in capital assets, net of related debt | 6,558,654 | 508,536 | 634,356 | 7,701,546 |
| Restricted for: | | | | |
| Debt service | 34,559 | 49,674 | - | 84,233 |
| Unrestricted | 229,563 | 59,690 | 44,106 | 333,359 |
| Total net position | <u>6,822,776</u> | <u>617,900</u> | <u>678,462</u> | <u>8,119,138</u> |
| Total liabilities and net position | <u>\$ 6,824,762</u> | <u>916,273</u> | <u>703,117</u> | <u>8,444,152</u> |

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 POSITION -
PROPRIETARY FUNDS
Year Ended June 30, 2013

| | Waste Water | Water | Housing Authority | Total |
|--|---------------------|-----------------|----------------------|------------------|
| Operating Revenues | | | | |
| Sales, services, and rents | \$ 94,727 | 251,788 | 91,854 | 438,369 |
| From federal sources - operating grants | - | - | 149,415 | 149,415 |
| Total operating revenues | <u>94,727</u> | <u>251,788</u> | <u>241,269</u> | <u>587,784</u> |
| Operating Expenses | | | | |
| Operating expenses | 73,282 | 247,061 | 237,607 | 557,950 |
| Depreciation | 161,656 | 29,014 | 53,413 | 244,083 |
| Total operating expenses | <u>234,938</u> | <u>276,075</u> | <u>291,020</u> | <u>802,033</u> |
| Operating (loss) income | <u>(140,211)</u> | <u>(24,287)</u> | <u>(49,751)</u> | <u>(214,249)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Capital grants | - | - | 11,425 | 11,425 |
| Interest income | 946 | 485 | 1 | 1,432 |
| Interest expense | - | (13,338) | - | (13,338) |
| Other income | - | 6,755 | - | 6,755 |
| Total nonoperating revenues (expenses) before transfers | <u>946</u> | <u>(6,098)</u> | <u>11,426</u> | <u>6,274</u> |
| Transfers in | 250,931 | 27,558 | - | 278,489 |
| Transfers out | (536) | - | - | (536) |
| Total transfers, net | <u>250,395</u> | <u>27,558</u> | <u>-</u> | <u>277,953</u> |
| Net (loss) income | <u>111,130</u> | <u>(2,827)</u> | <u>(38,325)</u> | <u>69,978</u> |
| Net position, beginning of year | 6,711,646 | 620,727 | 692,056 | 8,024,429 |
| Restatement | - | - | 24,731 | 24,731 |
| Beginning of year, as restated | <u>6,711,646</u> | <u>620,727</u> | <u>716,787</u> | <u>8,049,160</u> |
| Net position, end of year | <u>\$ 6,822,776</u> | <u>617,900</u> | <u>678,462</u> | <u>8,119,138</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, 2013

| | Waste Water | Water | Housing Authority | Total |
|--|-------------------|-----------------|----------------------|------------------|
| Cash Flows From Operating Activities | | | | |
| Cash received from customers, tenants | \$ 103,082 | 246,259 | 150,687 | 500,028 |
| Cash received from HUD for operations | - | - | 92,325 | 92,325 |
| Cash payments to and on behalf of employees | (5,473) | (117,941) | (75,867) | (199,281) |
| Cash payments to vendors for goods and services | (70,482) | (140,133) | (156,215) | (366,830) |
| Net cash (used) provided by operating activities | <u>27,127</u> | <u>(11,815)</u> | <u>10,930</u> | <u>26,242</u> |
| Cash Flows From Noncapital and Related Financing Activities | | | | |
| Change in due to/from account | (10,574) | (13,744) | - | (24,318) |
| Other income | - | 6,755 | - | 6,755 |
| Transfers, net | 250,395 | 27,558 | - | 277,953 |
| Net cash provided by noncapital financing activities | <u>239,821</u> | <u>20,569</u> | <u>-</u> | <u>260,390</u> |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Purchase of capital assets | (250,932) | (43,993) | (11,425) | (306,350) |
| HUD contributions for capital acquisitions | - | - | 11,425 | 11,425 |
| Principal payment on loans | - | (1,144) | - | (1,144) |
| Principal payment on bonds | - | (16,200) | - | (16,200) |
| Interest payment on bonds and loans | - | (13,753) | - | (13,753) |
| Net cash used by capital and related financing activities | <u>(250,932)</u> | <u>(75,090)</u> | <u>-</u> | <u>(326,022)</u> |
| Cash Flows From Investing Activities | | | | |
| Interest income | 946 | 485 | 1 | 1,432 |
| Net cash provided by investing activities | <u>946</u> | <u>485</u> | <u>1</u> | <u>1,432</u> |
| Net change in cash and cash equivalents | 16,962 | (65,851) | 10,931 | (37,958) |
| Cash and cash equivalents, beginning of year | 221,016 | 161,463 | 24,139 | 406,618 |
| Cash and cash equivalents, end of year | <u>\$ 237,978</u> | <u>95,612</u> | <u>35,070</u> | <u>368,660</u> |

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, 2013

| | Waste Water | Water | Housing Authority | Total |
|---|------------------|-----------------|----------------------|---------------|
| Operating (loss) income | \$ (140,211) | (24,287) | (49,751) | (214,249) |
| Adjustments to reconcile operating income to net cash flows: | | | | |
| Depreciation expense | 161,656 | 29,014 | 53,413 | 244,083 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | 8,355 | (5,529) | (284) | 2,542 |
| Grants receivable | - | - | 1,272 | 1,272 |
| Prepaid expenses | - | - | (2,877) | (2,877) |
| Inventory | - | - | 16,380 | 16,380 |
| Accounts payable | (547) | (12,005) | (7,985) | (20,537) |
| Accrued expenses | (1,591) | 483 | 330 | (778) |
| Compensated absences | (535) | 509 | (323) | (349) |
| Deposits payable | - | - | 755 | 755 |
| Net cash (used) provided by operating activities | \$ 27,127 | (11,815) | 10,930 | 26,242 |

Supplemental disclosure of non-cash capital and related financing activities:

Cash flows from capital and related financing activities for the year ended June 30, 2013 does not include a \$29,659 capital asset purchase, as the corresponding payment was included in prepaid deposits at June 30, 2012, and therefore did not have an impact on cash flows for the period.

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, 2013

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, 2013

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 Position 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

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

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

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.

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.

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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

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 Fund. 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.

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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

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

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

B. Cash, Cash Equivalents, and Investments

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

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

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Cash, Cash Equivalents, and Investments (Continued)

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.

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

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

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

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

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

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

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

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

D. Inventory

Inventory is reported when purchased goods are not consumed during the current operating cycle and the consumable asset will benefit a future period. At June 30, 2013, inventory related entirely to the operations of the Housing Authority and consisted of \$3,312 for propane delivered, but unused, as well as \$22,160 in housing maintenance supplies not yet put in use. Maintenance inventory is valued using the first in first out method.

E. 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.

F. Fund Balance Disclosure

The Village follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The purpose of GASB No. 54 is to improve the consistency and usefulness of the fund balance information to the financial user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the Village classifies fund balances in the governmental funds as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements. Examples are prepaid expenses and inventory.

Spendable Fund Balance includes restricted, committed, assigned, and unassigned designations:

- **Restricted** includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The following funds have restricted balances:

- **Fire Protection Fund (Major)** – Contains \$24,959 from annual allotment from the state of New Mexico restricted for the operation and maintenance of the fire department.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Fund Balance Disclosure (Continued)

- **Emergency Medical Services Fund (Special Revenue Fund)** – Contains \$5,665 from annual allotment from the state of New Mexico restricted for emergency medical services.
- **Law Enforcement Protection Fund (Special Revenue Fund)** – Contains \$15,765 from annual allotment from the state of New Mexico restricted for law enforcement services.
- **Municipal Street (Special Revenue Fund)** – Contains \$362,033 in gross receipts tax, motor vehicle tax, and gasoline tax revenues restricted by enabling legislation for construction and maintenance of Village roads.
- **Committed** includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (ordinances and resolutions) at the highest level of decision making authority (Village Trustees). These commitments can only be overturned by a like action. Examples are encumbrances of construction and service contracts, and specific allocation of funds for particular future activities.
- **Assigned** includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess fund balances may be assigned by the Village Trustees or by an official or body to which the Village Trustees delegates the authority, for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the Village Trustees at any public meeting. The following funds have assigned balances:
 - **Environmental Gross Receipts Fund (Special Revenue Fund)** – Contains \$66,456 assigned through the budgeting process for the advancement of the Village's health and welfare priorities.
 - **Recreation Fund (Special Revenue Fund)** – Contains \$4,594 assigned through the budgeting process for the advancement of the Village's culture and recreation priorities.
- **Unassigned** includes residual positive fund balances within the General Fund, which have not been classified within the other above mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

E. Fund Balance Disclosure (Continued)

The details of fund balances are included in the Governmental Funds Balance Sheet. 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.

The Village does not have a formal minimum fund balance policy; however, the Village follows a policy in which one twelfth of budgeted expenditures are maintained as a minimum balance in the general fund.

F. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities less deferred inflows of resources. Net investment in capital assets, 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 investment in capital assets excludes unspent debt proceeds. Net positions 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.

The government-wide statement of net position reports \$84,233 of restricted net position, which is restricted for debt service related to the operations of the Village's water and sewer enterprise funds.

Government-wide Financial Statements. The Village classifies net position in the government-wide fund financial statements as follows:

Net Investment in Capital Assets includes the Village's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted Net Position** includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Village typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Net Position (Continued)

- **Unrestricted Net Position** typically includes unrestricted liquid assets. The Village Trustees have the authority to revisit or alter this designation.

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.

H. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider demand deposits, 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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

J. Budgetary Information (Continued)

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.

K. 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.

L. 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.

During the year ended June 30, 2013, the Village adopted Government Accounting Standards Board Statement (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement did 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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2013, the Village's bank balances of \$1,307,335 were exposed to credit risk as follows:

| | |
|--|---------------------|
| Insured | \$ 299,403 |
| Uninsured and collateral held by pledging bank's trust department or agent but not in the Village's name | 850,000 |
| Uninsured and uncollateralized | <u>157,932</u> |
| Total deposits | <u>\$ 1,307,335</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. 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, 2013:

| | Waste Water | Water |
|--------------------------------------|------------------|----------------|
| Accounts receivable | \$ 17,986 | 43,174 |
| Allowance for uncollectible accounts | <u>(430)</u> | <u>(1,072)</u> |
| | <u>\$ 17,556</u> | <u>42,102</u> |

Accounts receivable for the Housing Authority, which consists of unpaid tenant charges for rent and related charges, is \$688 at June 30, 2013. 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, 2013

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year ending June 30, 2013 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 | \$ 2,699,304 | - | - | 2,699,304 |
| Infrastructure | 409,406 | - | - | 409,406 |
| Equipment | 820,187 | 258,719 | - | 1,078,906 |
| Total, depreciated | 3,928,897 | 258,719 | - | 4,187,616 |
| Accumulated depreciation for: | | | | |
| Buildings and improvements | 375,914 | 60,420 | - | 436,334 |
| Infrastructure | 31,012 | 9,212 | - | 40,224 |
| Equipment | 566,430 | 50,308 | - | 616,738 |
| Total accumulated depreciation | 973,356 | 119,940 | - | 1,093,296 |
| Total capital assets, depreciated, net | \$ 2,955,541 | 138,779 | - | 3,094,320 |
| Total capital assets, net | \$ 3,040,016 | 138,779 | - | 3,178,795 |

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

Governmental activities

| | |
|-----------------------------------|-------------------|
| General government | \$ 89,905 |
| Public safety | 30,035 |
| Total depreciation expense | \$ 119,940 |

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year ending June 20, 2013 is as follows:

| | 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 | 119,877 | 54,313 | - | (15,868) | 158,322 |
| Total, not depreciated | \$ 384,161 | 54,313 | - | (15,868) | 422,606 |
| Capital assets, depreciated: | | | | | |
| Buildings and improvements | \$ 8,541,594 | 11,425 | - | - | 8,553,019 |
| Equipment | 550,790 | 77,863 | - | - | 628,653 |
| Infrastructure | 552,141 | 192,406 | - | 15,868 | 760,415 |
| Total, depreciated | 9,644,525 | 281,694 | - | 15,868 | 9,942,087 |
| Accumulated depreciation for: | | | | | |
| Buildings and improvements | 1,683,505 | 198,412 | - | - | 1,881,917 |
| Equipment | 331,045 | 28,396 | - | - | 359,441 |
| Infrastructure | 148,235 | 17,275 | - | - | 165,510 |
| Total accumulated depreciation | 2,162,785 | 244,083 | - | - | 2,406,868 |
| Total capital assets, depreciated, net | \$ 7,481,740 | 37,611 | - | 15,868 | 7,535,219 |
| Total capital assets, net | \$ 7,865,901 | 91,924 | - | - | 7,957,825 |

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2013, the following changes occurred:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|--------------|-----------------|----------------------|------------------------|
| Governmental activities | | | | | |
| Compensated absences | \$ 7,113 | 7,355 | (6,533) | 7,935 | 7,935 |
| Notes payable | 42,857 | - | (21,429) | 21,428 | 21,428 |
| Total | <u>\$ 49,970</u> | <u>7,355</u> | <u>(27,962)</u> | <u>29,363</u> | <u>29,363</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 | Annual 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 Village's 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, 2013:

| | |
|---|------------------|
| Consulting and auditing loan for \$150,000, non-interest bearing, payments of \$21,429 annually in June, maturing June 30, 2014 | <u>\$ 21,428</u> |
|---|------------------|

The future requirements for notes payable are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|------------------|----------|---------------|
| 2014 | <u>\$ 21,428</u> | - | <u>21,428</u> |

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2013, the following changes occurred:

| | Beginning Balance | Adjustments and Additions | Deletions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|------------------------------|-----------------|-------------------|------------------------|
| Business-type activities | | | | | |
| Compensated absences | \$ 1,070 | 3,102 | (3,128) | 1,044 | 1,044 |
| Notes payable | 16,727 | - | (1,144) | 15,583 | 1,214 |
| Bonds payable | 256,896 | - | (16,200) | 240,696 | 16,300 |
| Total | \$ 274,693 | 3,102 | (20,472) | 257,323 | 18,558 |

The Housing Authority has \$1,213 in compensated absences payable at June 30, 2013.

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 note is outstanding at June 30, 2013:

| | |
|--|------------------|
| Rural infrastructure loan for \$25,000, interest at 3%, payments of \$1,680 annually in June, maturing June 14, 2024 | <u>\$ 15,583</u> |
|--|------------------|

The future requirements for notes payable are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|------------------|--------------|---------------|
| 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 | 1,366 | 314 | 1,680 |
| 2019 to 2023 | 7,472 | 928 | 8,400 |
| 2024 | 1,666 | 49 | 1,715 |
| | <u>\$ 15,583</u> | <u>2,932</u> | <u>18,515</u> |

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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 |
|------------------------|-------------------|---------------|----------------|
| 2014 | \$ 16,300 | 12,379 | 28,679 |
| 2015 | 17,400 | 11,542 | 28,942 |
| 2016 | 18,500 | 10,647 | 29,147 |
| 2017 | 19,600 | 9,696 | 29,296 |
| 2018 | 20,700 | 8,688 | 29,388 |
| 2019 to 2023 | 120,900 | 26,245 | 147,145 |
| 2024 to 2025 | 27,296 | 1,587 | 28,883 |
| | <u>\$ 240,696</u> | <u>80,784</u> | <u>321,480</u> |

Other Long-Term Debt

On May 21, 2013 the Village entered into a loan/grant agreement with Rural Utilities Service (RUS), US Department of Agriculture to finance the renovation and expansion of the Village's water system. Under the terms of the agreement, the Village issued \$330,000 in Water System Revenue Bonds, Series 2013, to RUS at an interest rate of 2.75% with a maturity date of June 1, 2053. The bonds are secured by pledged revenues which consist of those revenues derived from the operation of the Village's water system. Bond funds will be advanced by RUS to the Village up to the full authorized principal in response to written pay requests submitted by the Village as costs of water system improvements are incurred.

As of June 30, 2013, the Village had not requested or been advanced any funding under the agreement.

NOTE 7. LANDFILL CLOSURE COSTS

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

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a schedule of operating transfers:

| | Transfer In | Transfer Out |
|----------------------------------|-------------------|----------------|
| Governmental Funds | | |
| Major Funds | | |
| General Fund | \$ - | 271,790 |
| Fire Fund | 40,200 | - |
| Non-major Funds | | |
| Capital Project Rincon Road Fund | - | 46,363 |
| Business Type Funds | | |
| Water | 27,558 | - |
| Waste Water | 250,931 | 536 |
| | <u>250,931</u> | <u>536</u> |
| Total | <u>\$ 318,689</u> | <u>318,689</u> |

The above transfers were related to operating needs and for the purchase of capital assets. In addition, there was an interfund transfer of \$49,899 in the Housing Authority fund.

Interfund receivables and payables have been primarily recorded when funds overdraw their shared pool of cash. The composition of interfund balances as of June 30, 2013 is as follows:

| | Due from Receivable | Due to Payable |
|----------------------------------|------------------------|-------------------|
| Governmental Funds | | |
| Major Funds | | |
| General Fund | \$ 9,065 | 21,321 |
| Fire Fund | - | 539 |
| Non-major Funds | | |
| Street Fund | - | 11,126 |
| Capital Project Rincon Road Fund | - | 397 |
| Business Type Funds | | |
| Water | 13,744 | - |
| Waste Water | 10,574 | - |
| | <u>10,574</u> | <u>-</u> |
| Total | <u>\$ 33,383</u> | <u>33,383</u> |

At June 30, 2013, there were no interfund receivables or payables in the Housing Authority fund.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9. DEFICIT FUND BALANCES

The Village had the following deficit fund balance:

| | | |
|----------------------------------|----|-----|
| Capital Project Rincon Road Fund | \$ | 397 |
|----------------------------------|----|-----|

The Village anticipates using future revenues to correct this deficit fund balance.

NOTE 10. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Village does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Village does not have any items that qualify for reporting in this category.

NOTE 11. RENTALS UNDER OPERATING LEASES

The Village leases office space to a third party under an operating lease with a term of five years ending on December 31, 2016. Rent under the lease is \$200 per month. The leased building is included on the capital asset listing with a cost of \$18,391 and associated accumulated depreciation of \$18,391 at June 30, 2013.

The following is a schedule by years of future minimum rentals on operating leases as of June 30, 2013:

| | | |
|----------------------|-----------|---------------------|
| Year ending June 30: | | |
| 2014 | \$ | 2,400 |
| 2015 | | 2,400 |
| 2016 | | 2,400 |
| 2017 | | <u>1,200</u> |
| Total | \$ | <u>8,400</u> |

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 12. OPERATING LEASE COMMITMENTS

The Village is obligated under two operating leases for copier machines. One copier lease has a five year term ending on November 3, 2014 and requires an annual payment of \$4,400. The other copier lease has a five year term ending on January 26, 2014 and requires monthly payments of \$372. The minimum lease payments are as follows:

Year ending June 30:

| | | |
|--------------|-----------|---------------------|
| 2014 | \$ | 7,001 |
| 2015 | | <u>1,467</u> |
| Total | \$ | <u>8,468</u> |

Lease expense for the years ended June 30, 2013 and 2012, were \$8,710 and \$9,306, respectively.

NOTE 13. 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, 2013, 2012 and 2011 were \$45,570, \$48,782, and \$47,345, respectively, which equal the amount of the required contributions for each fiscal year.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 14. 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 post-employment health care 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 health care plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care 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 health care 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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 14. STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

For the fiscal years ended June 30, 2013, 2012, and 2011, the Village remitted \$4,750, \$4,394, and \$3,932, respectively, which equal the required contributions for each year.

NOTE 15. 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.

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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 16. CONTINGENCIES

Litigation. The Village is a party to various claims and lawsuits arising in the normal course of business. The Village is insured through the New Mexico Self Insurer's Fund. In the opinion of management, the resolution of these matters will not have a material adverse effect on the financial position 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, 2013, management estimates that no material liabilities will result from such audits.

NOTE 17. RELATED PARTY TRANSACTIONS

Water and sewer services are provided to the Housing Authority by the Village of Pecos. Fees paid by the Housing Authority to the Village of Pecos and included in the fund financial Statement of Revenues, Expenses, and Changes in Fund Net Position and in the department-wide Statement of Activities were \$18,533 in the year ended June 30, 2013. Amounts payable to the Village of Pecos for water and sewer at June 30, 2013 were \$1,544.

NOTE 18. PRIOR PERIOD ADJUSTMENT

With respect to the Housing Authority, the beginning net position of the Low Rent Housing Fund has been restated on the fund basis and government-wide financial statements to record a prior period adjustment to correct the balance in maintenance inventory for inventory items purchased in prior year. The adjustment increased the change in net position for the year ended June 30, 2012 by \$24,731 and had no impact on the change in net position for the year ended June 30, 2013.

NOTE 19. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 21, 2013, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2013.

VILLAGE OF PECOS, NEW MEXICO
NONMAJOR FUND DESCRIPTIONS
June 30, 2013

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.

CAPITAL PROJECT FUND

Capital Project Rincon Road Fund. To account for the expenditures to construct improvements along Rincon Road.

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2013**

| | Special Revenue | | |
|--|--|----------------------------------|----------------------------------|
| | Environmental Gross Receipts Tax | Emergency Medical Services | Law Enforcement Protection |
| ASSETS | | | |
| Cash | \$ 64,692 | 5,665 | 9,140 |
| Receivables | | | |
| Taxes | | | |
| Gross receipts | 1,764 | - | - |
| Gasoline | - | - | - |
| Prepaid expense | - | - | 6,625 |
| Total assets | \$ 66,456 | 5,665 | 15,765 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Due to other funds | \$ - | - | - |
| Total liabilities | - | - | - |
| Fund Balances | | | |
| Restricted for special revenues | - | 5,665 | 15,765 |
| Assigned to special revenues | 66,456 | - | - |
| Unassigned | - | - | - |
| Total fund balances | 66,456 | 5,665 | 15,765 |
| Total liabilities and fund balances | \$ 66,456 | 5,665 | 15,765 |

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2013**

| | <u>Special Revenue</u> | | Total Special Revenue |
|--|------------------------|--------------|-----------------------------|
| | Street | Recreation | |
| ASSETS | | | |
| Cash | \$ 370,613 | 4,594 | 454,704 |
| Receivables | | | |
| Taxes | | | |
| Gross receipts | - | - | 1,764 |
| Gasoline | 2,546 | - | 2,546 |
| Prepaid expense | - | - | 6,625 |
| Total assets | \$ 373,159 | 4,594 | 465,639 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Due to other funds | \$ 11,126 | - | 11,126 |
| Total liabilities | 11,126 | - | 11,126 |
| Fund Balances | | | |
| Restricted for special revenues | 362,033 | - | 383,463 |
| Assigned to special revenues | - | 4,594 | 71,050 |
| Unassigned | - | - | - |
| Total fund balances | 362,033 | 4,594 | 454,513 |
| Total liabilities and fund balances | \$ 373,159 | 4,594 | 465,639 |

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2013**

| | Capital Project Rincon Rd | Total Nonmajor |
|--|---------------------------------|-------------------|
| ASSETS | | |
| Cash | \$ - | 454,704 |
| Receivables | | |
| Taxes | | |
| Gross receipts | - | 1,764 |
| Gasoline | - | 2,546 |
| Prepaid expense | - | 6,625 |
| | | |
| Total assets | \$ - | 465,639 |
| | | |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Due to other funds | \$ 397 | 11,523 |
| Total liabilities | 397 | 11,523 |
| | | |
| Fund Balances | | |
| Restricted for special revenues | - | 383,463 |
| Assigned to special revenues | - | 71,050 |
| Unassigned | (397) | (397) |
| Total fund balances | (397) | 454,116 |
| | | |
| Total liabilities and fund balances | \$ - | 465,639 |

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2013**

| | Special Revenue | | |
|---|--|----------------------------------|----------------------------------|
| | Environmental Gross Receipts Tax | Emergency Medical Services | Law Enforcement Protection |
| Revenues | | | |
| Taxes | \$ 7,219 | - | - |
| Interest | - | - | - |
| Grant | - | - | 20,000 |
| Total revenues | 7,219 | - | 20,000 |
| Expenditures | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | 6,085 |
| Health and welfare | 5,598 | - | - |
| Highways and streets | - | - | - |
| Capital outlay | - | - | 7,290 |
| Total expenditures | 5,598 | - | 13,375 |
| Excess of revenues over expenditures | 1,621 | - | 6,625 |
| Other Financing (Uses) Sources | | | |
| Operating transfers, out | - | - | - |
| Total other financing (uses) sources | - | - | - |
| Net change in fund balances | 1,621 | - | 6,625 |
| Fund balance, beginning | 64,835 | 5,665 | 9,140 |
| Fund balance, end of year | \$ 66,456 | 5,665 | 15,765 |

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2013**

| | <u>Special Revenue</u> | | Total Special Revenue |
|---|------------------------|--------------|-----------------------------|
| | Street | Recreation | |
| Revenues | | | |
| Taxes | \$ 11,528 | - | 18,747 |
| Interest | - | - | - |
| Grant | - | - | 20,000 |
| | <hr/> | | |
| Total revenues | 11,528 | - | 38,747 |
| | <hr/> | | |
| Expenditures | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | 6,085 |
| Health and welfare | - | - | 5,598 |
| Highways and streets | 13,540 | - | 13,540 |
| Capital outlay | - | - | 7,290 |
| | <hr/> | | |
| Total expenditures | 13,540 | - | 32,513 |
| | <hr/> | | |
| Excess of revenues over expenditures | (2,012) | - | 6,234 |
| | <hr/> | | |
| Other Financing (Uses) Sources | | | |
| Operating transfers, out | - | - | - |
| Total other financing (uses) sources | - | - | - |
| | <hr/> | | |
| Net change in fund balances | (2,012) | - | 6,234 |
| | <hr/> | | |
| Fund balance, beginning | 364,045 | 4,594 | 448,279 |
| | <hr/> | | |
| Fund balance, end of year | \$ 362,033 | 4,594 | 454,513 |
| | <hr/> <hr/> | | |

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2013**

| | Capital Project Rincon Rd | Total Non-major |
|---|---------------------------------|--------------------|
| Revenues | | |
| Taxes | \$ - | 18,747 |
| Interest | - | - |
| Grant | 46,363 | 66,363 |
| | | |
| Total revenues | 46,363 | 85,110 |
| | | |
| Expenditures | | |
| Current | | |
| General government | 397 | 397 |
| Public safety | - | 6,085 |
| Health and welfare | - | 5,598 |
| Highways and streets | - | 13,540 |
| Capital outlay | - | 7,290 |
| | | |
| Total expenditures | 397 | 32,910 |
| | | |
| Excess of revenues over expenditures | 45,966 | 52,200 |
| | | |
| Other Financing (Uses) Sources | | |
| Operating transfers, out | (46,363) | (46,363) |
| Total other financing (uses) sources | (46,363) | (46,363) |
| | | |
| Net change in fund balances | (397) | 5,837 |
| | | |
| Fund balance, beginning | - | 448,279 |
| | | |
| Fund balance, end of year | \$ (397) | 454,116 |
| | | |

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|---------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 7,000 | 7,000 | 6,500 | (500) |
| Other | 250 | 250 | - | (250) |
| Total revenues | 7,250 | 7,250 | 6,500 | (750) |
| Expenditures | | | | |
| Health and welfare | 7,250 | 7,250 | 5,598 | 1,652 |
| Total expenditures | 7,250 | 7,250 | 5,598 | 1,652 |
| Excess of revenues over expenditures | - | - | 902 | 902 |
| Other financing uses | | | | |
| Operating transfers out | - | - | - | - |
| Total other financing uses | - | - | - | - |
| Net change in fund balance | - | - | 902 | 902 |
| Fund balance, beginning of year | 64,976 | 64,976 | 64,976 | - |
| Fund balance, end of year | \$ 64,976 | 64,976 | 65,878 | 902 |
| Non-GAAP change in fund balance | | | \$ 902 | |
| Change in: | | | | |
| Taxes receivable | | | 719 | |
| GAAP change in fund balance | | | <u>\$ 1,621</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, 2013

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance with Final Budget - |
|--|-------------------------|--------------|-------------------|---------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Grants | \$ - | - | - | - |
| Total revenues | - | - | - | - |
| Expenditures | | | | |
| Public safety | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Other financing uses | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Total other financing uses | - | - | - | - |
| Net change in fund balance | - | - | - | - |
| Fund balance, beginning of year | 5,665 | 5,665 | 5,665 | - |
| Fund balance, end of year | \$ 5,665 | 5,665 | 5,665 | - |

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive (Negative) |
|----------------------------------|------------------|---------------|---------------|--|
| | Original | Final | | |
| Revenues | | | | |
| From local governments | | | | |
| Grants | \$ 20,609 | 20,609 | 20,000 | (609) |
| Total revenues | 20,609 | 20,609 | 20,000 | (609) |
| Expenditures | | | | |
| Public safety | 20,609 | 20,609 | 6,085 | 14,524 |
| Capital outlay | - | - | 7,290 | (7,290) |
| Total expenditures | 20,609 | 20,609 | 13,375 | 7,234 |
| Net change in fund balance | - | - | 6,625 | 6,625 |
| Fund balance, beginning of year | 9,140 | 9,140 | 9,140 | - |
| Fund balance, end of year | \$ 9,140 | 9,140 | 15,765 | 6,625 |

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STREET
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive (Negative) |
|----------------------------------|-------------------|----------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Gasoline taxes | \$ 23,300 | 23,300 | 12,609 | (10,691) |
| Total revenues | 23,300 | 23,300 | 12,609 | (10,691) |
| Expenditures | | | | |
| Highways and streets | 23,300 | 23,300 | 13,540 | 9,760 |
| Total expenditures | 23,300 | 23,300 | 13,540 | 9,760 |
| Net change in fund balance | - | - | (931) | (931) |
| Fund balance, beginning of year | 364,835 | 364,835 | 364,835 | - |
| Fund balance, end of year | \$ 364,835 | 364,835 | 363,904 | (931) |
| Non-GAAP change in fund balance | | | \$ (931) | |
| Change in: | | | | |
| Taxes receivable | | | <u>(1,081)</u> | |
| GAAP change in fund balance | | | <u>\$ (2,012)</u> | |

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2013

| | <u>Budgeted Amounts</u> | | 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 in | | | | |
| Operating transfers out | - | - | - | - |
| Total other financing uses | - | - | - | - |
| Net change in fund balance | - | - | - | - |
| Fund balance, beginning of year | 4,594 | 4,594 | 4,594 | - |
| Fund balance, end of year | \$ 4,594 | 4,594 | 4,594 | - |

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECT RINCON ROAD
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|----------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Grants | \$ 92,800 | 142,800 | 46,363 | (96,437) |
| | - | - | - | - |
| Total revenues | 92,800 | 142,800 | 46,363 | (96,437) |
| Expenditures | | | | |
| Housing | 92,800 | 92,800 | - | - |
| Infrastructure | - | 50,000 | 397 | 49,603 |
| Total expenditures | 92,800 | 142,800 | 397 | 49,603 |
| Other financing sources (uses) | | | | |
| Operating transfers out | - | - | (46,363) | (46,363) |
| Total other financing uses | - | - | (46,363) | (46,363) |
| Net change in fund balance | - | - | (397) | (93,197) |
| Fund balance, beginning of year | - | - | - | - |
| Fund balance, end of year | \$ - | - | (397) | (93,197) |

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WASTE WATER ENTERPRISE
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance with |
|---|---------------------|------------------|-------------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| Revenues | | | | |
| Sales, services and rents | \$ 105,000 | 105,000 | 103,082 | (1,918) |
| Other revenue | - | 20 | - | (20) |
| Interest | - | - | 946 | 946 |
| Total revenues | 105,000 | 105,020 | 104,028 | (992) |
| Expenses | | | | |
| Operating | 117,250 | 117,250 | 75,955 | 41,295 |
| Capital outlay | - | - | - | - |
| Total expenditures | 117,250 | 117,250 | 75,955 | 41,295 |
| Excess of revenues over expenditures | (12,250) | (12,230) | 28,073 | 40,303 |
| Other financing sources (uses) | | | | |
| Operating transfers in | - | - | 250,931 | 250,931 |
| Operating transfers out | - | - | (536) | (536) |
| Total other financing sources (uses) | - | - | 250,395 | 250,395 |
| Net change in net assets | (12,250) | (12,230) | 278,468 | 290,698 |
| Net assets, beginning of year | 6,711,646 | 6,711,646 | 6,711,646 | - |
| Net assets, end of year | \$ 6,699,396 | 6,699,416 | 6,990,114 | 290,698 |
| Non-GAAP change in fund balance | | | \$ 278,468 | |
| Change in: | | | | |
| Utility receivables | | | (8,355) | |
| Accounts payable | | | 547 | |
| Accrued compensation and benefits | | | 1,591 | |
| Compensated absences | | | 535 | |
| Non-budgeted items | | | | |
| Depreciation | | | (161,656) | |
| GAAP change in net assets | | | <u>\$ 111,130</u> | |

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER ENTERPRISE
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------|----------------|-------------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| Revenues | | | | |
| Sales, services and rents | \$ 268,900 | 268,900 | 246,259 | (22,641) |
| Federal grant income | 270,000 | 270,000 | - | (270,000) |
| Interest | - | - | 485 | 485 |
| Other | 332,100 | 332,100 | 6,755 | (325,345) |
| Total revenues | 871,000 | 871,000 | 253,499 | (617,501) |
| Expenses | | | | |
| Operating | 642,102 | 642,102 | 258,074 | 384,028 |
| Capital outlay | 270,000 | 270,000 | - | 270,000 |
| Debt service | 14,641 | 14,641 | 31,097 | (16,456) |
| Total expenditures | 926,743 | 926,743 | 289,171 | 637,572 |
| Excess of revenues over expenditures before other financing uses | (55,743) | (55,743) | (35,672) | 20,071 |
| Other financing uses | | | | |
| Operating transfers in | - | - | 27,558 | 27,558 |
| Total other financing sources | - | - | 27,558 | 27,558 |
| Net change in net assets | (55,743) | (55,743) | (8,114) | 47,629 |
| Net assets, beginning of year | 620,727 | 620,727 | 620,727 | - |
| Net assets, end of year | \$ 564,984 | 564,984 | 612,613 | 47,629 |
| Non-GAAP change in fund balance | | | \$ (8,114) | |
| Change in: | | | | |
| Accounts receivable | | | 5,529 | |
| Accounts payable | | | 12,005 | |
| Accrued compensation and benefits | | | (483) | |
| Interest payable | | | 415 | |
| Compensated absences | | | (509) | |
| Non-budgeted items | | | | |
| Debt service principal | | | 17,344 | |
| Depreciation | | | (29,014) | |
| GAAP change in net assets | | | <u>\$ (2,827)</u> | |

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
HOUSING AUTHORITY ENTERPRISE
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------|----------------|--------------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| Revenues | | | | |
| Intergovernmental - federal | \$ 91,790 | 91,790 | 82,774 | (9,016) |
| Charges for services | 95,200 | 95,200 | 91,854 | (3,346) |
| Operating grants | 52,119 | 52,119 | 66,641 | 14,522 |
| Capital grants | 36,845 | 36,845 | 11,425 | (25,420) |
| Interest | 200 | 200 | 1 | (199) |
| Total revenues | 276,154 | 276,154 | 252,695 | (23,459) |
| Expenses | | | | |
| Administration | 81,945 | 81,945 | 74,755 | 7,190 |
| Utilities | 44,800 | 44,800 | 60,741 | (15,941) |
| Maintenance | 109,445 | 109,445 | 90,675 | 18,770 |
| Capital outlay | - | - | - | - |
| General | 12,500 | 12,500 | 11,436 | 1,064 |
| Total expenditures | 248,690 | 248,690 | 237,607 | 11,083 |
| Excess of revenues over expenditures | 27,464 | 27,464 | 15,088 | (12,376) |
| Net change in net assets | 27,464 | 27,464 | 15,088 | (12,376) |
| Net assets, beginning of year, as restated | 770,062 | 770,062 | 770,062 | - |
| Net assets, end of year | \$ 797,526 | 797,526 | 785,150 | (12,376) |
| Non-GAAP change in fund balance | | | \$ 15,088 | |
| Non-budgeted items | | | | |
| Depreciation | | | (53,413) | |
| GAAP change in net assets | | | <u>\$ (38,325)</u> | |

VILLAGE OF PECOS, NEW MEXICO
AGENCY FUND DESCRIPTION
June 30, 2013

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, 2013

| | Beginning Balance | Additions | Deductions | Ending Balance |
|---------------------------|----------------------|----------------|----------------|-------------------|
| MOTOR VEHICLE FUND | | | | |
| Assets | | | | |
| Cash | \$ 50 | 235,758 | 235,758 | 50 |
| Total assets | \$ 50 | 235,758 | 235,758 | 50 |
| Liabilities | | | | |
| Due to other entities | \$ 50 | 235,758 | 235,758 | 50 |
| Total liabilities | \$ 50 | 235,758 | 235,758 | 50 |

VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2013

| Type | Depository | Account Name | Depository Balance | Reconciled Balance |
|----------------------------------|--|----------------------------|---------------------|--------------------|
| Interest bearing checking | Southwest Capital Bank | Allocated Cash | \$ 900,297 | 876,990 |
| Interest bearing checking | Southwest Capital Bank | Fire Protection | 53,078 | 38,983 |
| Interest bearing checking | Southwest Capital Bank | Water and Sewer Enterprise | 204,671 | 187,513 |
| Interest bearing checking | Southwest Capital Bank | Payroll | 29,491 | 21,562 |
| Interest bearing checking | Southwest Capital Bank | Water Deposit | 35,037 | 34,830 |
| Interest bearing checking | Southwest Capital Bank | Pecos Housing Authority | 5,611 | 4,973 |
| Interest bearing checking | Southwest Capital Bank | Pecos Housing Authority | 34 | 34 |
| Interest bearing checking | Southwest Capital Bank | Pecos Housing Authority | 7,235 | 7,535 |
| Money market | Southwest Capital Bank | Pecos Housing Authority | 22,478 | 22,478 |
| CD | Southwest Capital Bank | Water and Sewer Enterprise | 49,403 | 49,403 |
| | | | <u>1,307,335</u> | <u>1,244,301</u> |
| | Petty Cash | Utility Clerk | - | 50 |
| | Petty Cash | Pecos Housing Authority | - | 50 |
| | Total deposit accounts - non-agency | | <u>\$ 1,307,335</u> | <u>1,244,401</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, 2013

| | <u>Village</u> <u>Southwest</u> <u>Capital Bank</u> | <u>Housing</u> <u>Southwest</u> <u>Capital Bank</u> | <u>Total</u> |
|--|---|---|------------------|
| Deposits at June 30, 2013 | \$ 1,271,977 | 35,358 | 1,307,335 |
| Less: FDIC or NCUSIF coverage | 299,403 | - | 299,403 |
| Uninsured public funds | 972,574 | 35,358 | 1,007,932 |
| Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name | 850,000 | - | 850,000 |
| Uninsured and uncollateralized | <u>\$ 122,574</u> | <u>35,358</u> | <u>157,932</u> |
| 50% pledged collateral requirement per statute | \$ 486,287 | 17,679 | 503,966 |
| Total pledged collateral | <u>850,000</u> | <u>-</u> | <u>850,000</u> |
| Pledged collateral over the requirement | <u>\$ (363,713)</u> | <u>17,679</u> | <u>(346,034)</u> |

Pledged collateral at June 30, 2013 consists of the following:

| Security | CUSIP | Maturity | Par or Fair Mkt. Value |
|---------------------------|-----------|-----------|---------------------------|
| Carlsbad, NM 4.00%, bond | 142723BA2 | 8/1/2018 | \$ 100,000 |
| Las Vegas, NM 2.25% bond | 51778FCS6 | 8/15/2018 | 500,000 |
| Bernalillo, NM 4.00% bond | 085279NX1 | 8/1/2019 | 250,000 |
| Total pledged collateral | | | <u>\$ 850,000</u> |

The custodian of the pledged collateral securities for Southwest Capital Bank is the Federal Home Loan Bank in Dallas, Texas.

VILLAGE OF PECOS, NEW MEXICO
 SCHEDULE OF JOINT POWERS AGREEMENTS
 June 30, 2013

| 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. | \$ - | Village of Pecos | New Mexico State Police |
| | | | | | 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. | | | |
| 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) |

Ricci, Porch & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
6200 UPTOWN BLVD. NE - SUITE 400
ALBUQUERQUE, NM 87110

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Village of Pecos (Village) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2004-11 to be a material weakness.

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 responses as items 2004-08, 2013-02 and 2013-03 to be significant deficiencies.

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 which are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2013-01, 2012-02 and 2013-04.

The Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ricci, Porch & Company LLC

Albuquerque, New Mexico
November 21, 2013

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2013**

A. PRIOR YEAR AUDIT FINDINGS

Village of Pecos

| | | STATUS |
|-------|---|-------------------------------------|
| 04-2 | Disaster Recovery Plan and Information Technology General Controls | Resolved |
| 04-6 | Payroll Disbursements | Resolved |
| 04-8 | Travel and Per Diem Disbursements | Modified and repeated as 2004-08 |
| 04-11 | Capital Asset Additions, Deletions, and Inventory | Modified and repeated as 2004-11 |

Housing Authority

| | | |
|---------|---|----------|
| 2012-01 | Audit Report Not Timely Submitted to State Auditor | Resolved |
| 2012-02 | Expenditures in Excess of Budget | Repeated |

B. CURRENT YEAR AUDIT FINDINGS

Village of Pecos

| | |
|---------|---|
| 2013-01 | Compliance with Purchasing Requirements |
|---------|---|

Housing Authority

| | |
|---------|---|
| 2013-02 | Payroll Disbursement and Related Policies |
| 2013-03 | Propane Inventory Reconciliation |
| 2013-04 | Deposit of Public Funds |

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

A. FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT

**2004-08 TRAVEL AND PER DIEM DISBURSEMENTS – SIGNIFICANT
DEFICIENCY**

CONDITION

We tested 6 mileage and per diem expenditures for compliance with State statute. We noted the following:

- Two were calculated using an incorrect mileage reimbursement rate, which resulted in an underpayment of \$15.
- All six had errors in per diem payments as a result of incorrect reimbursements for the return day of travel. The errors resulted in three underpayments and three overpayments. Per diem reimbursements were underpaid in cases where no partial payment for return day of travel was made where it was warranted. Reimbursements were overpaid in cases where the overnight per diem rate was paid where partial pay was warranted. The dollar effect of the errors could not be determined because information detailing the time of departure and time of return was not properly completed on two travel voucher forms.

CRITERIA

Section 10-8-4(D) NMSA 1978 provides that “every public officer or employee shall receive up to the Internal Revenue Service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.” Section 2.42.2.11(C) NMAC provides that “public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10-8-5 (D) NMSA 1978.”

Section 2.42.2.2 NMAC governs the payment of per diem rates, mileage, and travel expense reimbursement for all public officers and employees of local public bodies. Section 2.42.2.8 NMAC details the proper computation of per diem and provides rates for partial day travel, overnight travel, and the day of return from overnight travel.

EFFECT

Underpayments are being made related to mileage reimbursement. Underpayments and overpayments are being made related to per diem payments. As a result of these circumstances, mileage and per diem expenditures are misstated, and the Village is not in compliance with the State statute.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

**A. FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT
(CONTINUED)**

**2004-08 TRAVEL AND PER DIEM DISBURSEMENTS – SIGNIFICANT
DEFICIENCY (CONTINUED)**

CAUSE

Management had not updated the mileage rate from a previously established rate and was unaware that it had changed. Management was not aware of the calculation for partial payment of per diem on the return day of travel.

RECOMMENDATION

Management should review the Mileage & Per Diem Act and implement proper controls to ensure lawful mileage and per diem rates are used when calculating and approving reimbursements.

MANAGEMENT RESPONSE

Management will ensure that the most current rates are used to calculate mileage and per diem payments.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

**A. FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT
(CONTINUED)**

**2004-11 CAPITAL ASSET ADDITIONS, DELETIONS AND INVENTORY –
MATERIAL WEAKNESS**

CONDITION

As part of our audit, we tested controls over fixed asset capitalization and tracking. We noted that the Village does not conduct a physical inventory of assets as required by state statute. In addition, the Village has not fully implemented procedures for maintaining an accurate and complete listing of capital assets as required by State statute.

CRITERIA

Section 12-6-10 NMSA 1978 directs the general services department to promulgate regulations to state agencies, including local public bodies, for the accounting and control of fixed assets. In accordance with the law, each agency is required to conduct an annual physical inventory of movable chattels and equipment on an inventory list at the end of each fiscal year. NMAC 2.20.1 establishes standards for the accounting for and controlling of fixed assets acquired and owned by State agencies, including local public bodies. 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.

EFFECT

The Village is not in compliance with State statute with respect to an annual physical inventory of fixed assets. Without a physical inventory, there is a greater risk of fraud or misstatement of capital assets. Because controls over asset tracking have not been fully implemented, the Village’s capital asset listing and associated depreciation expenses may be misstated.

CAUSE

In November 2012, the Village completed an Infrastructure Capital Improvement and Asset Management Plan which developed principles and goals to address the maintenance, repair, rehabilitation, acquisition, and disposal of capital assets. The Village has not yet formulated and implemented the controls and practices to implement the guidelines outlined in the plan.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

**A. FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT
(CONTINUED)**

**2004-11 CAPITAL ASSET ADDITIONS, DELETIONS AND INVENTORY –
MATERIAL WEAKNESS (CONTINUED)**

RECOMMENDATION

The Village should review State requirements over accounting for capital assets and implement practices and procedures to achieve the goals identified in its recently adopted Asset Management Plan.

MANAGEMENT RESPONSE

Management concurs with the finding. The Village will review the State requirements for accounting and control of capital assets as well as recommendations cited in its Infrastructure Capital Improvement and Asset Management Plan. Additionally, we will seek necessary resources to conduct an annual physical inventory of movable chattels and equipment.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

**A. FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT
(CONTINUED)**

**HOUSING AUTHORITY
2013-02 PAYROLL DISBURSEMENT AND RELATED POLICIES –
SIGNIFICANT DEFICIENCY**

CONDITION

As part of our audit, we tested internal controls over twelve payroll disbursements. In our review, we noted that for one disbursement, the number of hours on the employee's timesheet for the selected pay period was not consistent with the number of hours paid for the period.

In addition, we noted employees are accruing vacation and sick leave at rates different from those defined in the Housing Authority's Personnel Policies. Our review determined that the improper leave accrual rates have been implemented for several years.

CRITERIA

Good internal controls dictate that payroll should be reviewed sufficiently to ensure it does not contain errors and that hours paid are consistent with hours listed on timesheets.

Leave accrual rates are defined in the Housing Authority's Personnel Policies which were adopted and approved by the Board of Commissioners in 1993.

EFFECT

Payroll for the identified disbursement resulted in an overpayment to employees of \$30.

Employee leave accrual balances may be misstated. The accrual rates implemented result in leave balances which are lower than the balances that would result if the authorized rates were being used and cause an understatement of the Housing Authority's liability for accrued compensated absences.

CAUSE

Timesheet review and payroll processing for the identified disbursement was processed in error, and the error was not identified by the internal controls in place.

Leave accrual rates used were implemented in error or may have been revised informally in the past without official adoption by the Board. In addition, the Housing Authority's Personnel Policies are outdated and require clarification. Our review of the leave policy found that one sentence defined a maximum accumulation of sick leave as 90 days, but another sentence stated there was no limit on accumulation.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

**A. FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT
(CONTINUED)**

**HOUSING AUTHORITY
2013-02 PAYROLL DISBURSEMENT AND RELATED POLICIES –
SIGNIFICANT DEFICIENCY (CONTINUED)**

RECOMMENDATION

We recommend that the Housing Authority consider reviewing payroll more thoroughly to ensure that errors in payroll processing are caught and corrected before final checks are disbursed.

We further recommend that the Housing Authority's Personnel Policies be reviewed and clarified by management and the Board. Any revisions should be formally adopted and documented. We also recommend that leave policies are clearly communicated to employees and those charged with tracking leave balances.

MANAGEMENT RESPONSE

Effective immediately all payroll worksheets will be reviewed and initialed by the Executive Director prior to printing payroll.

In addition, a new personnel policy has been presented to the Board of Directors for approval that strengthens procedures related to paid leave.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

**A. FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT
(CONTINUED)**

**HOUSING AUTHORITY
2013-03 PROPANE USAGE TRACKING – SIGNIFICANT DEFICIENCY**

CONDITION

As part of our audit, we performed a test of details and analytical procedures over the balance in propane inventory and propane expense. Management is tracking propane usage by residence; however, when analytical procedures were applied to the amounts tracked by management, the results were inconsistent with amounts recorded in the financial statements as propane expense.

CRITERIA

Good accounting practices dictate that consumption of assets should be regularly analyzed to determine that assets are not misappropriated.

EFFECT

Management is not able to determine if propane usage is being accurately tracked, thus the Housing Authority may be unable to determine if propane is being fraudulently diverted or used for purposes other than the Housing Authority operations.

CAUSE

Per discussion with management, it is believed that the cause of the inconsistent results could be caused by using incorrect units of measurement to calculate usage (i.e. gallons vs. cubic feet or volume vs. capacity).

RECOMMENDATION

Management should consider performing research on the units of measurement to determine if propane consumption can be more accurately tracked.

MANAGEMENT RESPONSE

The Housing Authority is committed to finding more efficient and responsible manners to track propane purchased versus propane used. We will continue our cost tracking controls and continue to refine our methods for tracking tenant usage.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

B. FINDINGS AND RESPONSES – COMPLIANCE AND OTHER MATTERS

**2013-01 COMPLIANCE WITH PURCHASING REQUIREMENTS
COMPLIANCE AND OTHER MATTERS**

CONDITION

During our test work over compliance with the New Mexico Procurement Code, we noted that the Village made a purchase of equipment with a value of \$39,184 without issuing a notice for invitation to bid. Three written quotes were obtained from different vendors prior to the purchase. Although the Village judged the purchase to be necessitated by an emergency condition, documentation was not maintained to support their assessment.

CRITERIA

The New Mexico Procurement Code requires that purchases of tangible property valued over \$20,000 should be procured through invitation for bid (13-1-103 NMSA 1976, 1.4.1.16 NMAC). The Procurement Code further states that purchases over \$5,000 and up to \$20,000 should have three written quotes documented. The Procurement Code allows for certain exceptions to the bid process requirements including those purchases made under emergency conditions. Under the statute, written determination of the basis for the emergency procurement shall be made containing specific information including the justification for the procurement method.

EFFECT

The Village did not maintain proper documentation for the purchase in accordance with the Procurement Code.

CAUSE

The Village did not adequately review the requirements of the NM Procurement Code prior to purchasing the equipment.

RECOMMENDATION

We recommend that the Village review the requirements of the NM Procurement Code and determine that proper purchasing procedures are followed.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

**B. FINDINGS AND RESPONSES – COMPLIANCE AND OTHER MATTERS
(CONTINUED)**

**2013-01 COMPLIANCE WITH PURCHASING REQUIREMENTS
COMPLIANCE AND OTHER MATTERS (CONTINUED)**

MANAGEMENT RESPONSE

Management concurs with this finding. While not in compliance with the Procurement Code, the Village believes it did exercise due diligence. The Village obtained three written quotes from qualifying vendors and selected the lowest price quoted. Requirements of the Procurement Code were, in fact, reviewed prior to purchase to ensure compliance and clarification from the State Purchasing Office was sought, but, unfortunately, effective communication with the State Purchasing Office was never achieved. The Village then exercised what was considered to be a fair and open procurement consistent with “best practices” and in conformance in all other material respects to the provisions of the Procurement Code. Future purchases of tangible property exceeding the \$20,000 threshold will be facilitated through Cooperative Educational Services to ensure compliance.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

**B. FINDINGS AND RESPONSES – COMPLIANCE AND OTHER MATTERS
(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, 2013 in the amount of \$11,240.

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 it was not authorized to spend.

CAUSE

The Housing Authority budgeted \$25,000 for the use of gas/propane and the actual incurred cost was \$39,494. Budget adjustments were not made for gas/propane costs.

RECOMMENDATION

The Authority should monitor budgeted costs closer and when it is anticipated that costs will exceed budgeted amounts, adjustments should be made to the budget.

MANAGEMENT RESPONSE

The Housing Authority uses multiple sources and purchases of propane inventory to track propane costs. The over budget amount was caused by year-end adjustments made to propane amounts, which were over \$13,000. In efforts to control costs, the Authority closely monitors purchases made near year-end. The Authority will continue similar procedures for fiscal year 2014 since we are unable to control tenant usage.

**VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

**B. FINDINGS AND RESPONSES – COMPLIANCE AND OTHER MATTERS
(CONTINUED)**

**HOUSING AUTHORITY
2013-04 DEPOSIT OF PUBLIC FUNDS – COMPLIANCE & OTHER MATTERS**

CONDITION

As part of our audit, we documented internal controls over cash receipts. It was noted during inspection of deposits that cash receipts are not deposited by close of the next business day.

CRITERIA

Per Section 6-10-3 NMSA 1978, all public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source, shall be paid into the state treasury or suitable banking facility. It is the duty of every official or person in charge of any state agency receiving any money in cash or by check, draft or otherwise for or on behalf of the state or any agency thereof from any source, to forthwith and before the close of the next succeeding business day after the receipt of the money to deliver or remit it to the state treasurer or suitable banking facility.

EFFECT

The Housing Authority is not in compliance with the state statute over depositing of public monies.

CAUSE

Since management was not aware of the time requirements for public funds, funds were maintained in the Authority's safe and only deposited on a weekly basis.

RECOMMENDATION

Management should make deposits on a daily basis.

MANAGEMENT RESPONSE

Effective November 18, 2013 a new policy for making deposits has been established and is in use. The new policy requires deposits to be made on Monday, Wednesday and Friday as needed to meet public money requirements.

VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2013

EXIT CONFERENCE

An exit conference was held on November 21, 2013, to discuss the annual financial report. Attending were the following:

Representing the Village of Pecos, New Mexico:

Tony Jose Roybal, Mayor
Florencio Varela, Council Member & Housing Authority Chairman
Mona Quintana, Village Clerk
Arthur R. Varela, Village Treasurer
Ricardo Valenzuela, Housing Authority Executive Director

Representing the Independent Auditor:

Herman Chavez, Manager
Christina Cosme, Staff

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor. It would be preferred and desirable for the Village to prepare its own financial statements and footnotes; although the Village is capable, with guidance, of preparing, reviewing and approving the financial statements and footnotes, it is felt that the Village's personnel do not have the time to prepare them.