

VILLAGE OF PECOS, NEW MEXICO

FINANCIAL STATEMENTS

JUNE 30, 2014

VILLAGE OF PECOS, NEW MEXICO

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VILLAGE OF PECOS, NEW MEXICO

List of Principal Officials

June 30, 2014

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
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Independent Auditor's Report

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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, 2014, 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, 2014, 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 did not audit the financial statements of the Village of Pecos Housing Authority, a component unit of the Village, which statements reflect total assets and revenues constituting 8 percent and 36 percent, respectively, of the related proprietary fund totals at June 30, 2014. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Village of Pecos Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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, 2014, 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, 2014, 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 were derived from and relate 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 25, 2014 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 & Company, LLC

Albuquerque, New Mexico
November 25, 2014

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 874,849	270,687	1,145,536
Cash and cash equivalents - restricted	-	93,030	93,030
Receivables			
Taxes			
Gross receipts	51,416	-	51,416
Gasoline	2,144	-	2,144
Motor vehicle	7,404	-	7,404
Property	842	-	842
Franchise	3,526	-	3,526
Accounts receivable, net of allowance	-	60,433	60,433
Due from other state agencies	24,446	-	24,446
Internal balances	-	1,182	1,182
Inventory	-	20,780	20,780
Prepaid expenses	10,385	7,472	17,857
Due from other funds	12,721	23,922	36,643
Total current assets	987,733	477,506	1,465,239
Noncurrent assets			
Capital assets, not depreciated	84,475	358,520	442,995
Capital assets, net of accumulated depreciation	3,062,369	7,741,821	10,804,190
Total noncurrent assets	3,146,844	8,100,341	11,247,185
Total assets	4,134,577	8,577,847	12,712,424
LIABILITIES			
Current liabilities			
Accounts payable	12,488	12,284	24,772
Accrued compensation and benefits	6,863	7,635	14,498
Insurance contract payable	-	6,400	6,400
Interest payable	-	5,746	5,746
Deposits payable	-	33,744	33,744
Internal balances	-	1,182	1,182
Compensated absences, due in one year	10,218	2,877	13,095
Long-term liabilities, due in one year	21,428	24,650	46,078
Due from other funds	23,922	12,721	36,643
Total current liabilities	74,919	107,239	182,158
Noncurrent liabilities:			
Long-term liabilities, due in more than one year	-	537,928	537,928
Total noncurrent liabilities	-	537,928	537,928
Total liabilities	74,919	645,167	720,086
NET POSITION			
Net investment in capital assets	3,125,416	7,537,763	10,663,179
Restricted for:			
Special Revenue	371,655	-	371,655
Capital Projects	3,986	-	3,986
Debt Service	-	85,719	85,719
Subsequent year's expenditures	71,476	-	71,476
Unrestricted	487,125	309,198	796,323
Total net position	\$ 4,059,658	7,932,680	11,992,338

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

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	
General government	\$ 776,320	8,341	314,580	-	(453,399)	-	(453,399)
Public safety	174,348	-	15,719	100,000	(58,629)	-	(58,629)
Highways and streets	778	-	-	25,000	24,222	-	24,222
Health and welfare	4,448	-	-	-	(4,448)	-	(4,448)
Total governmental activities	955,894	8,341	330,299	125,000	(492,254)	-	(492,254)
Business-type activities							
Waste water	263,864	98,977	-	-	-	(164,887)	(164,887)
Water	267,977	259,339	-	-	-	(8,638)	(8,638)
Housing authority	252,800	94,767	109,789	2,500	-	(45,744)	(45,744)
Total business-type activities	784,641	453,083	109,789	2,500	-	(219,269)	(219,269)
Total primary government	\$ 1,740,535	461,424	440,088	127,500	(492,254)	(219,269)	(711,523)
General Revenues							
Franchise taxes					10,919	-	10,919
Gasoline taxes					12,966	-	12,966
Gross receipts taxes					343,846	-	343,846
Property taxes					13,739	-	13,739
Motor vehicle tax					45,577	-	45,577
Transfers in: Severance tax bond appropriation					28,830	-	28,830
Other					26,428	9,852	36,280
Gain on disposal of assets					-	1,000	1,000
Interest income					1,537	61	1,598
Contributed capital					(21,898)	21,898	-
Total general revenues, special items and transfers					461,944	32,811	494,755
Change in net position					(30,310)	(186,458)	(216,768)
Net position, beginning of year					4,089,968	8,119,138	12,209,106
Net position, end of year					\$ 4,059,658	7,932,680	11,992,338

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

VILLAGE OF PECOS, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2014

	General	Fire Protection	Law Enforcement Protection	Nonmajor Governmental Funds	Total
ASSETS					
Cash	\$ 400,272	14,172	10,366	450,039	874,849
Receivables					
Taxes					
Gross receipts	50,242	-	-	1,174	51,416
Gasoline	1,136	-	-	1,008	2,144
Motor vehicle	7,404	-	-	-	7,404
Property	842	-	-	-	842
Franchise	3,526	-	-	-	3,526
Cigarette	-	-	-	-	-
Prepaid expenses	-	-	6,625	3,760	10,385
Due from other state agencies	-	-	-	24,446	24,446
Due from other funds	74,531	-	-	3,592	78,123
Total assets	\$ 537,953	14,172	16,991	484,019	1,053,135
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 11,983	505	-	-	12,488
Accrued compensation and benefits	6,863	-	-	-	6,863
Due to other funds	24,913	539	32,285	31,587	89,324
Total liabilities	43,759	1,044	32,285	31,587	108,675
Fund Balances					
Restricted for:					
Special revenue funds	-	13,128	(15,294)	373,821	371,655
Capital project fund	-	-	-	3,986	3,986
Subsequent years expenditures	71,476	-	-	-	71,476
Assigned to:					
Special revenue funds	-	-	-	74,625	74,625
Unassigned:					
General fund	422,718	-	-	-	422,718
Total fund balances	494,194	13,128	(15,294)	452,432	944,460
Total liabilities and fund balances	\$ 537,953	14,172	16,991	484,019	1,053,135

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, 2014

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

Total fund balance - governmental funds	\$ 944,460
Accrued compensated absences not payable from current revenues.	(10,218)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,146,844
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>\$ 4,059,658</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, 2014

	General	Fire Protection	Law Enforcement Protection	Nonmajor Governmental Funds	Total
Revenues					
Taxes	\$ 412,123	-	-	14,924	427,047
From state government:					
Grants	314,580	95,719	20,000	25,000	455,299
Licenses, permits, fees and fines	3,360	-	-	-	3,360
Charges for services	4,981	-	-	-	4,981
Interest	1,507	30	-	-	1,537
Other	15,932	10,496	-	-	26,428
Total revenues	752,483	106,245	20,000	39,924	918,652
Expenditures					
Current					
General government	680,776	-	-	2,549	683,325
Public safety	-	118,076	18,774	-	136,850
Highways and streets	-	-	-	778	778
Health and welfare	-	-	-	4,448	4,448
Capital outlay	26,304	-	32,285	37,670	96,259
Total expenditures	707,080	118,076	51,059	45,445	921,660
Excess (deficiency) of revenues over expenditures before other financings sources	45,403	(11,831)	(31,059)	(5,521)	(3,008)
Other financing sources (uses)					
Operating transfers, in	-	-	-	12,670	12,670
Operating transfers, out	(12,670)	-	-	-	(12,670)
Transfers in: Severance tax appropriation	-	-	-	28,830	28,830
Special item:					
Contributed capital	-	-	-	(21,898)	(21,898)
Total other financing sources (uses)	(12,670)	-	-	19,602	6,932
Net change in fund balances	32,733	(11,831)	(31,059)	14,081	3,924
Fund balance, beginning	461,461	24,959	15,765	438,351	940,536
Fund balance, end of year	\$ 494,194	13,128	(15,294)	452,432	944,460

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, 2014

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

Net changes in fund balances - governmental funds \$ 3,924

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	(128,210)	
Capital outlay	<u>96,259</u>	
Excess of depreciation expense over capital outlay		(31,951)

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.		<u>(2,283)</u>
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Change in net position - governmental activities \$ (30,310)

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 332,500	332,500	436,271	103,771
State grants	170,000	170,000	314,580	144,580
Licenses, permits, fees and fines	4,000	4,000	3,360	(640)
Charges for services	1,500	1,500	4,981	3,481
Interest	3,000	3,000	1,507	(1,493)
Other	17,700	17,700	15,932	(1,768)
Total revenues	528,700	528,700	776,631	247,931
Expenditures				
General government	1,219,623	1,219,623	671,051	548,572
Health and welfare	-	-	-	-
Debt service - principal	21,428	21,428	-	21,428
Capital outlay	35,000	35,000	26,304	8,696
Total expenditures	1,276,051	1,276,051	697,355	578,696
Excess (deficiency) of revenues over expenditures	(747,351)	(747,351)	79,276	826,627
Net change in fund balance	(747,351)	(747,351)	79,276	826,627
Fund balance, beginning of year	16,161	-	439,532	-
Fund balance, end of year	\$ (731,190)	(747,351)	518,808	826,627
Prior year cash appropriated	731,190	747,351		
	<u>\$ -</u>	<u>-</u>		
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 776,631	
Changes in accounts receivable			(24,148)	
Revenues, GAAP basis			<u>\$ 752,483</u>	
Expenses, budgetary basis			\$ 697,355	
Changes in accounts payable			7,403	
Changes in accrued liabilities			2,322	
Expenses, GAAP basis			<u>\$ 707,080</u>	

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From state government				
Grants	\$ 95,719	95,719	95,719	-
Interest income	-	-	30	30
Other	225	225	10,496	10,271
Total revenues	<u>95,944</u>	<u>95,944</u>	<u>106,245</u>	<u>10,301</u>
Expenditures				
Public safety	95,944	95,944	117,571	(21,627)
Capital outlay	-	-	-	-
Total expenditures	<u>95,944</u>	<u>95,944</u>	<u>117,571</u>	<u>(21,627)</u>
Excess (deficiency) of revenues over expenditures	-	-	(11,326)	(11,326)
Net change in fund balance	-	-	(11,326)	(11,326)
Fund balance, beginning of year	64,563	-	25,575	-
Fund balance, end of year	<u>\$ 64,563</u>	<u>-</u>	<u>14,249</u>	<u>(11,326)</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 106,245	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 106,245</u>	
Expenses, budgetary basis			\$ 117,571	
Changes in accounts payable			505	
Expenses, GAAP basis			<u>\$ 118,076</u>	

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
From State government				
Grants	\$ 20,000	20,000	20,000	-
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Expenditures				
Public safety	20,000	20,000	18,774	1,226
Capital outlay	-	-	-	-
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>18,774</u>	<u>1,226</u>
Net change in fund balance	-	-	1,226	1,226
Fund balance, beginning of year	9,140	9,140	15,765	-
Fund balance, end of year	<u>\$ 9,140</u>	<u>9,140</u>	<u>16,991</u>	<u>1,226</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 20,000	
Changes in accounts receivable			-	
Revenues, GAAP basis			<u>\$ 20,000</u>	
Expenses, budgetary basis			\$ 18,774	
Changes in accounts payable			-	
Capital outlay paid out of general fund			32,285	
Expenses, GAAP basis			<u>\$ 51,059</u>	

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

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2014

	Waste Water	Water	Housing Authority	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 204,124	39,357	27,206	270,687
Cash and cash equivalents - restricted	34,560	51,159	7,311	93,030
Accounts receivable, net of allowance	15,284	37,268	7,881	60,433
Inventory	-	-	20,780	20,780
Prepaid expenses	-	-	7,472	7,472
Due from other funds	11,756	13,348	-	25,104
Total current assets	<u>265,724</u>	<u>141,132</u>	<u>70,650</u>	<u>477,506</u>
Capital Assets				
Land	-	11,248	14,400	25,648
Water rights	-	238,636	-	238,636
Construction work in progress	52,569	41,667	-	94,236
Buildings and improvements	6,362,468	701,594	1,488,957	8,553,019
Equipment	163,321	357,116	108,716	629,153
Infrastructure	404,409	809,116	-	1,213,525
Accumulated depreciation	(574,820)	(1,053,052)	(1,026,004)	(2,653,876)
Total capital assets, net of accumulated depreciation	<u>6,407,947</u>	<u>1,106,325</u>	<u>586,069</u>	<u>8,100,341</u>
Total assets	<u>\$ 6,673,671</u>	<u>1,247,457</u>	<u>656,719</u>	<u>8,577,847</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 5,315	2,357	4,612	12,284
Accrued compensation and benefits	-	3,628	4,007	7,635
Insurance contract payable	-	-	6,400	6,400
Interest payable	-	5,746	-	5,746
Deposits payable	-	26,433	7,311	33,744
Compensated absences	-	2,212	665	2,877
Loans payable - current	-	1,250	-	1,250
Bonds payable - current	-	23,400	-	23,400
Due to other funds	-	13,903	-	13,903
Total current liabilities	<u>5,315</u>	<u>78,929</u>	<u>22,995</u>	<u>107,239</u>
Noncurrent Liabilities				
Loans payable	-	13,084	-	13,084
Bonds payable	-	524,844	-	524,844
Total noncurrent liabilities	<u>-</u>	<u>537,928</u>	<u>-</u>	<u>537,928</u>
Total liabilities	<u>5,315</u>	<u>616,857</u>	<u>22,995</u>	<u>645,167</u>
Net Position				
Invested in capital assets, net of related debt	6,407,947	543,747	586,069	7,537,763
Restricted for:				
Debt service	34,560	51,159	-	85,719
Unrestricted	225,849	35,694	47,655	309,198
Total net position	<u>6,668,356</u>	<u>630,600</u>	<u>633,724</u>	<u>7,932,680</u>
Total liabilities and net position	<u>\$ 6,673,671</u>	<u>1,247,457</u>	<u>656,719</u>	<u>8,577,847</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, 2014**

	Waste Water	Water	Housing Authority	Total
Operating Revenues				
Sales, services, and rents	\$ 98,977	259,339	94,767	453,083
From federal sources - operating grants	-	-	109,789	109,789
Total operating revenues	<u>98,977</u>	<u>259,339</u>	<u>204,556</u>	<u>562,872</u>
Operating Expenses				
Operating expenses	102,208	214,293	201,013	517,514
Depreciation	161,656	36,565	51,787	250,008
Total operating expenses	<u>263,864</u>	<u>250,858</u>	<u>252,800</u>	<u>767,522</u>
Operating (loss) income	<u>(164,887)</u>	<u>8,481</u>	<u>(48,244)</u>	<u>(204,650)</u>
Nonoperating Revenues (Expenses)				
Capital grants	-	-	2,500	2,500
Interest income	19	36	6	61
Interest expense	-	(17,119)	-	(17,119)
Other income	-	9,852	-	9,852
Gain (loss) on disposal of assets	-	-	1,000	1,000
Total nonoperating revenues (expenses) before transfers	<u>19</u>	<u>(7,231)</u>	<u>3,506</u>	<u>(3,706)</u>
Transfers in	-	501	-	501
Transfers out	(501)	-	-	(501)
Contributed Capital	10,949	10,949	-	21,898
Total transfers and other, net	<u>10,448</u>	<u>11,450</u>	<u>-</u>	<u>21,898</u>
Net (loss) income	<u>(154,420)</u>	<u>12,700</u>	<u>(44,738)</u>	<u>(186,458)</u>
Net position, beginning of year	<u>6,822,776</u>	<u>617,900</u>	<u>678,462</u>	<u>8,119,138</u>
Net position, end of year	<u>\$ 6,668,356</u>	<u>630,600</u>	<u>633,724</u>	<u>7,932,680</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, 2014

	Waste Water	Water	Housing Authority	Total
Cash Flows From Operating Activities				
Cash received from customers, tenants	\$ 101,249	264,173	95,162	460,584
Cash received from HUD for operations	-	-	101,978	101,978
Cash payments to and on behalf of employees	(473)	(112,259)	(73,921)	(186,653)
Cash payments to vendors for goods and services	(98,406)	(103,308)	(123,778)	(325,492)
Net cash (used) provided by operating activities	2,370	48,606	(559)	50,417
Cash Flows From Noncapital and Related Financing Activities				
Change in due to/from account	(1,182)	14,299	-	13,117
Other income	-	9,852	-	9,852
Transfers, net	(501)	501	-	-
Net cash provided by noncapital financing activities	(1,683)	24,652	-	22,969
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	-	(367,126)	(2,500)	(369,626)
Proceeds from bond issuance	-	329,848	-	329,848
HUD contributions for capital acquisitions	-	-	2,500	2,500
Principal payment on loans	-	(1,249)	-	(1,249)
Principal payment on bonds	-	(22,300)	-	(22,300)
Interest payment on bonds and loans	-	(17,563)	-	(17,563)
Net cash used by capital and related financing activities	-	(78,390)	-	(78,390)
Cash Flows From Investing Activities				
Interest income	19	36	6	61
Net cash provided by investing activities	19	36	6	61
Net change in cash and cash equivalents	706	(5,096)	(553)	(4,943)
Cash and cash equivalents, beginning of year	237,978	95,612	35,070	368,660
Cash and cash equivalents, end of year	\$ 238,684	90,516	34,517	363,717
Shown on the Balance sheet as:				
Cash and cash equivalents	204,124	39,357	27,206	270,687
Cash and cash equivalents - restricted	34,560	51,159	7,311	93,030
\$ 238,684	90,516	34,517	363,717	

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, 2014

	Waste Water	Water	Housing Authority	Total
Operating (loss) income	\$ (164,887)	8,481	(48,244)	(204,650)
Adjustments to reconcile operating income to net cash flows:				
Depreciation expense	161,656	36,565	51,787	250,008
Changes in assets and liabilities:				
Accounts receivable	2,272	4,834	620	7,726
Grants receivable	-	-	(7,812)	(7,812)
Prepaid expenses	-	-	57	57
Inventory	-	-	4,692	4,692
Accounts payable	3,329	(4,253)	(2,096)	(3,020)
Accrued expenses	-	1,811	649	2,460
Compensated absences	-	1,168	(548)	620
Deposits payable	-	-	(225)	(225)
Insurance contract payable	-	-	561	561
Net cash (used) provided by operating activities	<u>\$ 2,370</u>	<u>48,606</u>	<u>(559)</u>	<u>50,417</u>

Schedule of Noncash Investing, Capital and Financing Activities

Enterprise funds received \$21,898 of contributed capital through governmental funds as follows:

Contributed capital	\$ 10,949	10,949	-	21,898
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS
June 30, 2014**

ASSETS

Cash \$ 50

Total assets \$ 50

LIABILITIES

Due to other entities \$ 50

Total liabilities \$ 50

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

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Village. Organizations for which the Village is not financially accountable are also included when doing so is necessary in order to prevent the Village's financial statements from being misleading.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. 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, 2014

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, 2014

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 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, 2014

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.

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.

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 PO Box 904, Pecos, NM, 87552.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Capital Assets

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

Governmental Accounting Standards Board (GASB) 34 *Basic Financial Statements and 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.

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, 2014, inventory related entirely to the operations of the Housing Authority and consisted of \$3,402 for propane delivered, but unused, as well as \$17,378 in housing maintenance supplies not yet put in use. Maintenance inventory is valued using the first in first out method.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

G. Fund Balance Disclosure

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance definitions. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. *Nonspendable* - includes amounts that cannot be spent because (1) they are either not in spendable form or (2) they are legally or contractually required to be maintained intact.
2. *Restricted* - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* - fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government's highest level of decision-making authority removes or changes the specified use by taking the same action it employed to previously commit those amounts.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Balance Disclosure (Continued)

4. *Assigned* - fund balance classification intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Village Officials or by an official or body to which the Village Officials delegates the authority.
5. *Unassigned* - fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Village has reviewed each of the classifications and has determined that the fund balance is restricted for all balances in the capital projects and special revenue funds due to either legislation or grantor requirements, with the exception of the environmental gross receipts fund and the recreation fund. The restricted balance of \$469,015 shown on the balance sheet of the fund financial statements includes \$394,040 restricted by enabling legislation and \$5,665 restricted by external resource providers. The environmental gross receipts fund balance is included in assigned fund balance through the budgeting process for the advancement of the Village's health and welfare priorities. The recreation fund balance is also included in the assigned fund balance through the budgeting process for the advancement of the Village's culture and recreation priorities. There are no non-spendable or committed fund balances as of June 30, 2014.

Fund Balance for Subsequent Years Expenditures. According to New Mexico State Statute and the New Mexico Department of Finance and Administration (DFA), the Village is required to reserve 1/12th of the General Fund's budgeted expenditures for subsequent year expenditures to maintain an adequate cash flow. The Village does not have a formal minimum fund balance policy; however, the Village follows the policy set forth above. This balance is reported as restricted to subsequent year's expenditures in the General Fund. The Village is in compliance with these DFA requirements.

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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Net Position

The governmental activities and business-type activities in the government-wide financial statements utilize a net position presentation which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, in accordance with Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* issued by the Governmental Accounting Standards Board (GASB 63). Net position is displayed in three components as follows:

Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position: Reflects the component of net position that have constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for “debt service or capital projects.”

Unrestricted net position: Reflects the component of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the Village’s policy to use restricted resources first and the unrestricted resources as they are needed.

I. 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.

J. 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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, and enterprise funds.

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

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

L. 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.

M. Implementation of New Accounting Standards

GASB No. 67, *Financial Reporting for Pension Plans*. This statement also amends Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trust or equivalent arrangements. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for the fiscal years beginning after June 15, 2013 with earlier application encouraged. The Village has reviewed the statement and has determined that this does not apply to the Village.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Implementation of New Accounting Standards (Continued)

GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*, was approved in June 2012 and is effective for fiscal years starting after June 15, 2014. This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. As a result, the June 30, 2015 financial statements are expected to include a material net pension liability.

Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. The Village has reviewed the statement and has determined that this does not apply to the Village.

Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. This statement establishes accounting and financial reporting standards for financial guarantees that are non-exchange transactions extended or received by a state or local government. A non-exchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a thirdparty obligation holder under specified conditions. This statement is effective for financial statements for reporting periods beginning after June 15, 2013. The Village has reviewed the statement and has determined that this does not apply to the Village.

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, 2014

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2014, the Village’s bank balances of \$1,296,480 were exposed to credit risk as follows:

Insured	\$ 335,882
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>110,598</u>
Total deposits	<u>\$ 1,296,480</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, 2014:

	Waste Water	Water
Accounts receivable	\$ 19,249	47,365
Allowance for uncollectible accounts	<u>(3,965)</u>	<u>(10,097)</u>
	<u>\$ 15,284</u>	<u>37,268</u>

Accounts receivable for the Housing Authority, which consists of unpaid tenant charges for rent and related charges, is \$7,881 at June 30, 2014. 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, 2014

NOTE 4. CAPITAL ASSETS

Governmental Fund capital asset activity for the year ending June 30, 2014 is as follows:

	Balance, June 30, 2013	Additions	Deletions	Transfers	Balance, June 30, 2014
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 84,475	-	-	-	84,475
Total, not depreciated	<u>84,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,475</u>
Capital assets, depreciated					
Buildings and improvements	2,699,304	-	-	-	2,699,304
Infrastructure	409,406	57,727	-	-	467,133
Equipment	1,078,906	38,532	-	-	1,117,438
Total, depreciated	<u>4,187,616</u>	<u>96,259</u>	<u>-</u>	<u>-</u>	<u>4,283,875</u>
Accumulated depreciation for:					
Buildings and improvements	436,334	60,421	-	-	496,755
Infrastructure	40,224	10,077	-	-	50,301
Equipment	616,738	57,712	-	-	674,450
Total accumulated depreciation	<u>1,093,296</u>	<u>128,210</u>	<u>-</u>	<u>-</u>	<u>1,221,506</u>
Total capital assets, depreciated, net	<u>\$ 3,094,320</u>	<u>(31,951)</u>	<u>-</u>	<u>-</u>	<u>3,062,369</u>
Total capital assets, net	<u>\$ 3,178,795</u>	<u>(31,951)</u>	<u>-</u>	<u>-</u>	<u>3,146,844</u>

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

Governmental activities

General government	\$ 90,712
Public safety	<u>37,498</u>
Total depreciation expense	<u>\$ 128,210</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise Fund capital asset activity for the year ending June 20, 2014 is as follows:

	Balance, June 30, 2013	Additions	Deletions	Transfers	Balance, June 30, 2014
Business-type Activities					
Capital assets, not depreciated					
Land	\$ 25,648	-	-	-	25,648
Water rights	238,636	-	-	-	238,636
Construction in progress	158,322	21,898	-	(85,984)	94,236
Total, not depreciated	<u>422,606</u>	<u>21,898</u>	<u>-</u>	<u>(85,984)</u>	<u>358,520</u>
Capital assets, depreciated					
Buildings and improvements	8,553,019	-	-	-	8,553,019
Equipment	628,653	3,500	(3,000)	-	629,153
Infrastructure	760,415	367,126	-	85,984	1,213,525
Total, depreciated	<u>9,942,087</u>	<u>370,626</u>	<u>(3,000)</u>	<u>85,984</u>	<u>10,395,697</u>
Accumulated depreciation for:					
Buildings and improvements	1,881,917	197,139	-	-	2,079,056
Equipment	359,441	28,043	(3,000)	-	384,484
Infrastructure	165,510	24,826	-	-	190,336
Total accumulated depreciation	<u>2,406,868</u>	<u>250,008</u>	<u>(3,000)</u>	<u>-</u>	<u>2,653,876</u>
Total capital assets, depreciated, net	<u>\$ 7,535,219</u>	<u>120,618</u>	<u>-</u>	<u>85,984</u>	<u>7,741,821</u>
Total capital assets, net	<u>\$ 7,957,825</u>	<u>142,516</u>	<u>-</u>	<u>-</u>	<u>8,100,341</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2014, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 7,935	7,553	(5,270)	10,218	10,218
Notes payable	<u>21,428</u>	-	-	<u>21,428</u>	<u>21,428</u>
Total	<u>\$ 29,363</u>	<u>7,553</u>	<u>(5,270)</u>	<u>31,646</u>	<u>31,646</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, 2014:

Consulting and auditing loan for \$150,000, non-interest bearing, payments of \$21,429 annually in June, matured June 30, 2014	<u>\$ 21,428</u>
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The balance of this note was paid in full on July 31, 2014.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2014, the following changes occurred:

	Beginning Balance	Adjustments and Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Compensated absences	\$ 1,044	7,066	(5,233)	2,877	2,877
Notes payable	15,583	-	(1,249)	14,334	1,250
Bonds payable	240,696	329,848	(22,300)	548,244	23,400
Total	\$ 257,323	336,914	(28,782)	565,455	27,527

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, 2014:

Rural infrastructure loan for \$25,000, interest at 3%, payments of \$1,680 annually in June, maturing June 14, 2024	<u>\$ 14,334</u>
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The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
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	1,407	273	1,680
2020 to 2024	7,696	706	8,402
	<u>\$ 14,334</u>	<u>2,468</u>	<u>16,802</u>

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

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 were advanced by RUS to the Village in response to written pay requests submitted by the Village as costs of water system improvements were incurred. During the year ending June 30, 2014, the Village drew \$329,847 on the financing. The principal balance at June 30, 2014 was \$324,848.

The future requirements for bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 23,400	20,442	43,842
2016	24,500	19,447	43,947
2017	25,600	18,296	43,896
2018	26,700	17,188	43,888
2019	27,800	15,923	43,723
2020 to 2024	150,396	57,452	207,848
2025 to 2029	34,000	35,000	69,000
2030 to 2034	39,000	30,000	69,000
2035 to 2039	44,000	24,500	68,500
2040 to 2044	51,000	18,100	69,100
2045 to 2049	58,000	10,800	68,800
2050 to 2053	43,848	2,500	46,348
	<u>\$ 548,244</u>	<u>269,648</u>	<u>817,892</u>

Bond agreements contain various reserve requirements which totaled \$48,803 at June 30, 2014. The reserve requirements have been met by the Village via investments in CDs totaling \$49,403 included in restricted cash and equivalents in the business-type balance sheet.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers have been recorded primarily to pay for capital outlay or cover operating expenses. The Village had the following operating transfers for the year ended June 30, 2014:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds		
General Fund	\$ -	12,670
Nonmajor funds		
Street Fund	12,670	-
Business Type Funds		
Water	501	-
Waste Water	-	501
	<hr/>	<hr/>
Total	\$ 13,171	13,171

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	\$ 74,531	24,913
Fire Fund	-	539
Law Enforcement Protection Fund	-	32,285
Non-major Funds		
Street Fund	3,592	11,127
Capital Project Rincon Road Fund	-	20,460
Business Type Funds		
Water	13,348	13,903
Waste Water	11,756	-
	<hr/>	<hr/>
Total	\$ 103,227	103,227

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9. DEFICIT FUND BALANCES

The Village had the following deficit fund balance:

Law Enforcement Protection Fund	\$ 15,294
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The Village anticipates using future revenues to correct this deficit fund balance.

NOTE 10. 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, 2014.

The following is a schedule by years of future minimum rentals on operating leases as of June 30, 2014:

Year ending June 30:	
2015	\$ 2,400
2016	2,400
2017	<u>1,200</u>
Total	<u>\$ 6,000</u>

NOTE 11. OPERATING LEASE COMMITMENTS

The Village is obligated under an operating lease for a copier machine. The lease has a five year term ending in August 2018 and requires an annual payment of \$4,459. The minimum lease payments are as follows:

Year ending June 30:	
2015	\$ 4,459
2016	4,459
2017	4,459
2018	4,459
2019	<u>371</u>
Total	<u>\$ 18,207</u>

Lease expense for the year ended June 30, 2014 was \$9,697.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 12. PERA PENSION PLAN

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

Funding Policy. Plan members are required to contribute 13.15%, for annual salaries \$20,000 or less, and 14.65%, for annual salaries greater than \$20,000, of their gross salary for regular Village employees. Fire personnel are required to contribute 16.20%, for annual salaries \$20,000 or less, and 17.70%, for annual salaries greater than \$20,000. The Village is required to contribute 9.15% of the gross covered salary for regular employees and 21.25% for fire personnel. In fiscal year 2015, the Village's required contribution will increase to 9.55% (regular employees) and 21.65% (fire personnel). 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. In addition to the required contribution, the Village has elected to pay 75% of the employee's contribution.

The Village's contributions to PERA for the years ending June 30, 2014, 2013 and 2012 were \$48,604, \$45,570, and \$48,782, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 13. 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.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 13. STATE RETIREE HEALTH CARE PLAN (CONTINUED)

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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.

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, 2014, 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, 2014, 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.

The Village's contributions to the RHCA for the years ended June 30, 2014, 2013, and 2012 were \$4,682, \$4,750, and \$4,394, respectively, which equal the required contributions for each year.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 14. 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.

NOTE 15. CONTINGENCIES AND ECONOMIC DEPENDENCY

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, 2014, management estimates that no material liabilities will result from such audits.

Economic Dependency. Substantially all revenues of the Housing Authority are received from programs directed by the United States Department of Housing and Urban Development (HUD). Receipt of these funds is contingent upon the Housing Authority's continued compliance with grant provision and the continuance of the grant programs by HUD.

NOTE 16. 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, 2014. Amounts payable to the Village of Pecos for water and sewer at June 30, 2014 were \$1,544.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 17. REVENUE RESTRICTIONS

The Housing Authority has various restrictions placed over its revenue sources by the HUD. The primary restricted revenue sources include the following:

Low Rent Housing Program: rental income – legally restricted to achieve and maintain adequate operating and maintenance service and reserve funds.

Public Housing Capital Fund: Federal HUD grant – legally restricted to public housing agencies to carry out capital and management improvement activities.

NOTE 18. SPECIAL APPROPRIATIONS

The following is a summary of special appropriations still outstanding at June 30, 2014:

	Original Appropriation	Expenditures To Date	Appropriation Period
SAP-12-1188-GOB			
Admin Agency: Aging & Long Term Services			
Senior center equipment	15,800	-	2012 - 2016
SAP-12-1189-GOB			
Admin Agency: Aging & Long Term Services			
Senior center improvements	10,195	-	2012 - 2016
SAP-12-1366-STB			
Admin Agency: NM Environment Department			
Water and Wastewater system improvements	50,000	50,000	2012 -2016
SAP-13-1494-STB			
Admin Agency: NM Environment Department			
Water and Wastewater system improvements	50,000	19,788	2013 -2017
SAP-14-1685-STB			
Admin Agency: NM Environment Department			
Water and Wastewater system improvements	1,995,000	-	2014 -2018

None of the above appropriations were encumbered at year-end. At June 30, 2014, \$2,051,207 of the above appropriations were unexpended.

VILLAGE OF PECOS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 19. CONTRIBUTED CAPITAL

Severance tax appropriations in the amount of \$21,898 were expended by the Governmental Capital Outlay fund. These funds were spent on capital improvements for the Enterprise Fund. Such transfers of assets are recorded as contributed capital in both the governmental and business-type (Enterprise) funds, rather than as a due to / due from in accordance with GASBS 34.

NOTE 20. EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures exceeded budgeted expenditures at the total fund level for the Fire Protection Fund in the amount of \$21,627 during the year ended June 30, 2014.

NOTE 21. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 25, 2014, the date the financial statements were available to be issued.

On November 17, 2014, the Village was notified by the New Mexico Environment Department of violations related to maintenance, monitoring, and reporting for a closed landfill. The Village has responded to the notification and is in the process of identifying the necessary corrective action.

VILLAGE OF PECOS, NEW MEXICO
NONMAJOR FUND DESCRIPTIONS
June 30, 2014

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.

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, 2014**

	<u>Special Revenue</u>	
	Environmental Gross Receipts Tax	Emergency Medical Services
ASSETS		
Cash	\$ 65,097	5,665
Receivables		
Taxes		
Gross receipts	1,174	-
Gasoline	-	-
Due from other state agencies	-	-
Prepaid expense	3,760	-
Due from other funds	-	-
	<hr/>	<hr/>
Total assets	\$ 70,031	5,665
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ -	-
Due to other funds	-	-
	<hr/>	<hr/>
Total liabilities	-	-
	<hr/> <hr/>	<hr/> <hr/>
Fund Balances		
Restricted for special revenues	-	5,665
Restricted for capital projects	-	-
Assigned to special revenues	70,031	-
Unassigned	-	-
	<hr/>	<hr/>
Total fund balances	70,031	5,665
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balances	\$ 70,031	5,665
	<hr/> <hr/>	<hr/> <hr/>

VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2014

	<u>Special Revenue</u>		Total Special Revenue
	Street	Recreation	
ASSETS			
Cash	\$ 374,683	4,594	450,039
Receivables			
Taxes			
Gross receipts	-	-	1,174
Gasoline	1,008	-	1,008
Due from other state agencies	-	-	-
Prepaid expense	-	-	3,760
Due from other funds	3,592	-	3,592
Total assets	\$ 379,283	4,594	459,573
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	-	-
Due to other funds	11,127	-	11,127
Total liabilities	11,127	-	11,127
Fund Balances			
Restricted for special revenues	368,156	-	373,821
Restricted for capital projects	-	-	-
Assigned to special revenues	-	4,594	74,625
Unassigned	-	-	-
Total fund balances	368,156	4,594	448,446
Total liabilities and fund balances	\$ 379,283	4,594	459,573

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS
 June 30, 2014**

	Capital Project Rincon Rd	Total Nonmajor
ASSETS		
Cash	\$ -	450,039
Receivables		
Taxes		
Gross receipts	-	1,174
Gasoline	-	1,008
Due from other state agencies	24,446	24,446
Prepaid expense	-	3,760
Due from other funds	-	3,592
	<hr/>	<hr/>
Total assets	\$ 24,446	484,019
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ -	-
Due to other funds	20,460	31,587
	<hr/>	<hr/>
Total liabilities	20,460	31,587
	<hr/>	<hr/>
Fund Balances		
Restricted for special revenues	-	373,821
Restricted for capital projects	3,986	3,986
Assigned to special revenues	-	74,625
Unassigned	-	-
	<hr/>	<hr/>
Total fund balances	3,986	452,432
	<hr/>	<hr/>
Total liabilities and fund balances	\$ 24,446	484,019
	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF PECOS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2014**

	Special Revenue	
	Environmental Gross Receipts Tax	Emergency Medical Services
Revenues		
Taxes	\$ 8,023	-
Interest	-	-
From State Government:		
Grants	-	-
In-kind revenue	-	-
Other	-	-
	<hr/>	<hr/>
Total revenues	8,023	-
	<hr/>	<hr/>
Expenditures		
Current		
General government	-	-
Health and welfare	4,448	-
Highways and streets	-	-
Capital outlay	-	-
	<hr/>	<hr/>
Total expenditures	4,448	-
	<hr/>	<hr/>
Excess of revenues over expenditures	3,575	-
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Operating transfers in	-	-
Transfers in: Severance tax bond proceeds	-	-
Special Item:		
Contributed capital	-	-
	<hr/>	<hr/>
Total other financing (uses) sources	-	-
	<hr/>	<hr/>
Net change in fund balances	3,575	-
	<hr/>	<hr/>
Fund balance, beginning	66,456	5,665
	<hr/>	<hr/>
Fund balance, end of year	\$ 70,031	5,665
	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2014**

	Special Revenue		Total Special Revenue
	Street	Recreation	
Revenues			
Taxes	\$ 6,901	-	14,924
Interest	-	-	-
From State Government:			
Grants	25,000	-	25,000
In-kind revenue	-	-	-
Other	-	-	-
Total revenues	31,901	-	39,924
Expenditures			
Current			
General government	-	-	-
Health and welfare	-	-	4,448
Highways and streets	778	-	778
Capital outlay	37,670	-	37,670
Total expenditures	38,448	-	42,896
Excess of revenues over expenditures	(6,547)	-	(2,972)
Other Financing Sources (Uses)			
Operating transfers in	12,670	-	12,670
Transfers in: Severance tax bond proceeds	-	-	-
Special Item:			
Contributed capital	-	-	-
Total other financing (uses) sources	12,670	-	12,670
Net change in fund balances	6,123	-	9,698
Fund balance, beginning	362,033	4,594	438,748
Fund balance, end of year	\$ 368,156	4,594	448,446

**VILLAGE OF PECOS, NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR FUNDS
Year Ended June 30, 2014**

	Capital Project Rincon Rd	Total Non-major
Revenues		
Taxes	\$ -	14,924
Interest	-	-
From State Government:		
Grants	-	25,000
In-kind revenue	-	-
Other	-	-
	<hr/>	<hr/>
Total revenues	-	39,924
	<hr/>	<hr/>
Expenditures		
Current		
General government	2,549	2,549
Health and welfare	-	4,448
Highways and streets	-	778
Capital outlay	-	37,670
	<hr/>	<hr/>
Total expenditures	2,549	45,445
	<hr/>	<hr/>
Excess of revenues over expenditures	(2,549)	(5,521)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Operating transfers in	-	12,670
Transfers in: Severance tax bond proceeds	28,830	28,830
Special Item:		
Contributed capital	(21,898)	(21,898)
	<hr/>	<hr/>
Total other financing (uses) sources	6,932	19,602
	<hr/>	<hr/>
Net change in fund balances	4,383	14,081
Fund balance, beginning	(397)	438,351
	<hr/>	<hr/>
Fund balance, end of year	\$ 3,986	452,432
	<hr/>	<hr/>

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
ENVIRONMENTAL GROSS RECEIPTS TAX
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,000	6,000	8,613	2,613
Other	250	250	-	(250)
Total revenues	6,250	6,250	8,613	2,363
Expenditures				
Health and welfare	6,250	6,250	4,448	1,802
Total expenditures	6,250	6,250	4,448	1,802
Excess of revenues over expenditures	-	-	4,165	4,165
Other financing uses				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net change in fund balance	-	-	4,165	4,165
Fund balance, beginning of year	64,976	64,976	65,878	-
Fund balance, end of year	\$ 64,976	64,976	70,043	4,165
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 8,613	
Changes in accounts receivable			(590)	
Revenues, GAAP basis			<u>\$ 8,023</u>	
Expenses, budgetary basis			\$ 4,448	
Changes in accounts payable			-	
Expenses, GAAP basis			<u>\$ 4,448</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess 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)
STREET
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Gasoline taxes	\$ 21,000	21,000	8,440	(12,560)
From local governments				
Grants	-	-	25,000	25,000
Total revenues	21,000	21,000	33,440	12,440
Expenditures				
Highways and streets	21,000	21,000	778	20,222
Capital outlay	-	-	-	-
Total expenditures	21,000	21,000	778	20,222
Excess of revenues over expenditures	-	-	32,662	32,662
Other financing uses				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net change in fund balance	-	-	32,662	32,662
Fund balance, beginning of year	364,835	364,835	363,904	-
Fund balance, end of year	\$ 364,835	364,835	396,566	32,662
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 33,440	
Changes in accounts receivable			(1,539)	
Revenues, GAAP basis			<u>\$ 31,901</u>	
Expenses, budgetary basis			\$ 778	
Changes in accounts payable			-	
Capital outlay budgeted in general fund			37,670	
Expenses, GAAP basis			<u>\$ 38,448</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Cigarette tax	\$ -	-	-	-
Interest	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers 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, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Grants	\$ 53,240	53,240	-	(53,240)
	-	-	-	-
Total revenues	<u>53,240</u>	<u>53,240</u>	-	<u>(53,240)</u>
Expenditures				
General government	-	-	2,549	-
Infrastructure	53,240	53,240	-	53,240
Total expenditures	<u>53,240</u>	<u>53,240</u>	<u>2,549</u>	<u>53,240</u>
Excess of revenues over expenditures	-	-	(2,549)	-
Other financing sources				
Transfers in	-	-	-	-
Transfers in: Severance tax bond appropriation	-	-	28,830	28,830
Special Item:				
Contributed capital	-	-	(21,898)	(21,898)
Total other financing sources	<u>-</u>	<u>-</u>	<u>6,932</u>	<u>6,932</u>
Net change in fund balance	-	-	4,383	6,932
Fund balance, beginning of year	-	-	(397)	-
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>3,986</u>	<u>6,932</u>
Expenses, budgetary basis			\$ 2,549	
Changes in accounts payable			-	
Expenses, GAAP basis			<u>\$ 2,549</u>	
Other financing sources, budgetary basis			\$ 6,932	
Changes in accounts receivable			-	
Other financing sources, GAAP basis			<u>\$ 6,932</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WASTE WATER ENTERPRISE
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales, services and rents	\$ 100,400	100,400	101,249	849
Grant income	-	-	-	-
Other revenue	-	-	-	-
Interest	-	-	19	19
Total revenues	<u>100,400</u>	<u>100,400</u>	<u>101,268</u>	<u>868</u>
Expenses				
Operating	100,400	100,400	98,880	1,520
Capital outlay	-	-	-	-
Total expenditures	<u>100,400</u>	<u>100,400</u>	<u>98,880</u>	<u>1,520</u>
Excess of revenues over over expenditures before other financing uses	-	-	2,388	2,388
Nonoperating Revenues (Expenses)				
Interest income	-	-	19	19
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
Operating transfers out	-	-	(501)	(501)
Contributed capital	-	-	10,949	10,949
Total transfers and other	<u>-</u>	<u>-</u>	<u>10,448</u>	<u>10,448</u>
Net (loss) income	-	-	12,855	12,855
Net assets, beginning of year	6,699,416	6,699,416	6,990,114	290,698
Net assets, end of year	<u>\$ 6,699,416</u>	<u>6,699,416</u>	<u>7,002,969</u>	<u>303,553</u>
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 101,268	
Changes in accounts receivable			(2,272)	
Interest income, not budgeted			(19)	
Revenues, GAAP basis			<u>\$ 98,977</u>	
Expenses, budgetary basis			\$ 98,880	
Changes in accounts payable			3,328	
Depreciation expense, not budgeted			161,656	
Expenses, GAAP basis			<u>\$ 263,864</u>	

VILLAGE OF PECOS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER ENTERPRISE
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales, services and rents	\$ 356,312	356,312	264,173	(92,139)
From local governments	50,000	50,000	-	(50,000)
State grant income	125,000	125,000	-	(125,000)
Other	375,050	375,050	-	(375,050)
Total revenues	906,362	906,362	264,173	(642,189)
Expenses				
Operating	1,477,776	1,477,776	215,568	1,262,208
Capital outlay	-	-	378,074	(378,074)
Debt service	16,200	16,200	22,300	(6,100)
Total expenditures	1,493,976	1,493,976	615,942	878,034
Excess (deficiency) of revenues over expenditures before other financing uses	(587,614)	(587,614)	(351,769)	235,845
Nonoperating Revenues (Expenses)				
Other income	-	-	9,852	9,852
Interest expense	(12,386)	(12,386)	(16,675)	(4,289)
Interest income	-	-	36	36
Bond proceeds	600,000	600,000	329,847	(270,153)
Total nonoperating revenues (expenses)	587,614	587,614	323,060	(264,554)
Transfers in	-	-	501	501
Transfers out	-	-	-	-
Contributed Capital	-	-	10,949	10,949
Total transfers and other	-	-	11,450	11,450
Net (loss) income	-	-	(17,259)	(17,259)
Net assets, beginning of year	564,984	564,984	612,613	-
Net assets, end of year	\$ 564,984	564,984	595,354	(17,259)
Reconciliation to GAAP Basis				
Revenues, budgetary basis			\$ 264,173	
Changes in accounts receivable			(4,834)	
Revenues, GAAP basis			<u>\$ 259,339</u>	
Expenses, budgetary basis			\$ 615,942	
Changes in accounts payable			(4,254)	
Changes in accrued liabilities			2,979	
Capital outlay, included in budget			(378,074)	
Debt service, principal payments			(22,300)	
Depreciation expense, not budgeted			36,565	
Expenses, GAAP basis			<u>\$ 250,858</u>	
Nonoperating Revenues (Expenses), budgetary basis			\$ 323,060	
Changes in accrued interest			(444)	
Bond proceeds			(329,847)	
Nonoperating Revenues (Expenses), GAAP basis			<u>\$ (7,231)</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental - federal	\$ 65,000	80,909	80,978	69
Charges for services	95,200	95,200	94,767	(433)
Operating grants	38,240	38,240	28,811	(9,429)
Total revenues	198,440	214,349	204,556	(9,793)
Expenses				
Administration	68,574	71,080	70,569	511
Utilities	49,900	49,900	51,590	(1,690)
Maintenance	57,792	55,286	67,176	(11,890)
General	11,100	11,100	11,678	(578)
Total expenditures	187,366	187,366	201,013	(13,647)
Excess of revenues over expenditures	11,074	26,983	3,543	(23,440)
Nonoperating revenues (expenses)				
Capital grants	-	-	2,500	2,500
Interest income	200	200	6	(194)
Gain on disposal of assets	-	-	1,000	1,000
Total other financing sources (uses)	200	200	3,506	3,306
Net change in net assets	11,274	27,183	7,049	(20,134)
Net assets, beginning of year	797,526	797,526	785,150	-
Net assets, end of year	\$ 808,800	824,709	792,199	(20,134)

Expenses, budgetary basis	\$ 201,013
Depreciation expense, not budgeted	51,787
Expenses, GAAP basis	<u>\$ 252,800</u>
Nonoperating Revenues (Expenses), budgetary basis	\$ 2,506
Gain on disposal of assets, not budgeted	1,000
Nonoperating Revenues (Expenses), GAAP basis	<u>\$ 3,506</u>

VILLAGE OF PECOS, NEW MEXICO
AGENCY FUND DESCRIPTION
June 30, 2014

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, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
MOTOR VEHICLE FUND				
Assets				
Cash	\$ 50	226,258	226,258	50
Total assets	<u>\$ 50</u>	<u>226,258</u>	<u>226,258</u>	<u>50</u>
Liabilities				
Due to other entities	\$ 50	226,258	226,258	50
Total liabilities	<u>\$ 50</u>	<u>226,258</u>	<u>226,258</u>	<u>50</u>

VILLAGE OF PECOS, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2014

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Interest bearing checking	Southwest Capital Bank	Allocated Cash	\$ 938,379	901,687
Interest bearing checking	Southwest Capital Bank	Fire Protection	31,309	27,657
Interest bearing checking	Southwest Capital Bank	Water and Sewer Enterprise	174,467	167,482
Interest bearing checking	Southwest Capital Bank	Payroll	30,025	21,455
Interest bearing checking	Southwest Capital Bank	Water Deposit	36,418	36,315
Interest bearing checking	Southwest Capital Bank	Pecos Housing Authority	8,924	6,912
Interest bearing checking	Southwest Capital Bank	Pecos Housing Authority	34	34
Interest bearing checking	Southwest Capital Bank	Pecos Housing Authority	7,311	7,311
Money market	Southwest Capital Bank	Pecos Housing Authority	20,210	20,210
CD	Southwest Capital Bank	Water and Sewer Enterprise	49,403	49,403
			<u>1,296,480</u>	<u>1,238,466</u>
	Petty Cash	Utility Clerk	-	50
	Petty Cash	Pecos Housing Authority	-	50
		Total deposit accounts - non-agency	<u>\$ 1,296,480</u>	<u>1,238,566</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, 2014

	<u>Village</u> Southwest Capital Bank	<u>Housing</u> Southwest Capital Bank	<u>Total</u>
Deposits at June 30, 2014	\$ 1,260,001	36,479	1,296,480
Less: FDIC or NCUSIF coverage	299,403	36,479	335,882
Uninsured public funds	960,598	-	960,598
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>\$ 110,598</u>	<u>-</u>	<u>110,598</u>
50% pledged collateral requirement per statute	\$ 480,299	-	480,299
Total pledged collateral	<u>850,000</u>	<u>-</u>	<u>850,000</u>
Pledged collateral over the requirement	<u>\$ (369,701)</u>	<u>-</u>	<u>(369,701)</u>

Pledged collateral at June 30, 2014 consists of the following:

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Par or Fair Mkt. Value</u>
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	<u>250,000</u>
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, 2014

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 (EMNIRD)	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 EMNIRD outside of the Village's municipal limits.	\$ -	None	New Mexico Energy, Minerals and Natural Resources Department (EMNIRD)

VILLAGE OF PECOS, NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
FINANCIAL DATA SCHEDULE
June 30, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
ASSETS:				
111	Cash - Unrestricted	\$ 27,206	-	27,206
112	Cash - Restricted - Modernization and Development	-	-	-
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant Security Deposits	7,311	-	7,311
115	Cash - Restricted for Payment of Current Liabilities	-	-	-
100	Total Cash	<u>34,517</u>	<u>-</u>	<u>34,517</u>
121	Accounts Receivable - PHA Projects	6,650	1,162	7,812
122	Accounts Receivable - HUD Other Projects	-	-	-
124	Accounts Receivable - Other Government	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-
126	Accounts Receivable - Tenants	69	-	69
126.1	Allowance for Doubtful Accounts - Tenants	-	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-
127	Notes, Loans and Mortgages Receivable - Current	-	-	-
128	Fraud Recovery	-	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-
129	Accrued Interest Receivable	-	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>6,719</u>	<u>1,162</u>	<u>7,881</u>
131	Investments - Unrestricted	-	-	-
132	Investments - Restricted	-	-	-
135	Investments - Restricted for Payment of Current Liability	-	-	-
142	Prepaid Expenses and Other Assets	7,472	-	7,472
143	Inventories	20,780	-	20,780
143.1	Allowance for Obsolete Inventories	-	-	-
144	Inter Program Due From	-	-	-
145	Assets Held for Sale	-	-	-
150	Total Current Assets	<u>69,488</u>	<u>1,162</u>	<u>70,650</u>
161	Land	14,400	-	14,400
162	Buildings	1,257,142	-	1,257,142
163	Furniture, Equipment and Machinery - Dwellings	52,561	-	52,561
164	Furniture, Equipment and Machinery - Administration	56,155	-	56,155
165	Leasehold Improvements	231,815	-	231,815
166	Accumulated Depreciation	(1,026,004)	-	(1,026,004)
167	Construction in Progress	-	-	-
168	Infrastructure	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	<u>586,069</u>	<u>-</u>	<u>586,069</u>
171	Notes, Loans and Mortgages Receivable - Noncurrent	-	-	-
172	Notes, Loans and Mortgages Receivable - Noncurrent - Past Due	-	-	-
173	Grants Receivable - Noncurrent	-	-	-
174	Other Assets	-	-	-
176	Investments in Joint Ventures	-	-	-
180	Total Non-Current Assets	<u>586,069</u>	<u>-</u>	<u>586,069</u>
190	Total Assets	<u>655,557</u>	<u>1,162</u>	<u>656,719</u>

VILLAGE OF PECOS, NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
FINANCIAL DATA SCHEDULE
June 30, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
LIABILITIES:				
311	Bank Overdraft	\$ -	-	-
312	Accounts Payable <= 90 Days	3,450	1,162.00	4,612
313	Accounts Payable >90 Days Past Due	-	-	-
321	Accrued Wage/Payroll Taxes Payable	4,007	-	4,007
322	Accrued Compensated Absences - Current Portion	665	-	665
324	Accrued Contingency Liability	-	-	-
325	Accrued Interest Payable	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-
332	Account Payable - PHA Projects	-	-	-
333	Accounts Payable - Other Government	-	-	-
341	Tenant Security Deposits	7,311	-	7,311
342	Deferred Revenues	-	-	-
343	Current Portion of Long-term Debt - Capital Projects/Mortgage	-	-	-
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-
345	Other Current Liabilities	-	-	-
346	Accrued Liabilities - Other	-	-	-
347	Inter Program - Due To	-	-	-
348	Loan Liability - Current	6,400	-	6,400
310	Total Current Liabilities	<u>21,833</u>	<u>1,162</u>	<u>22,995</u>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-
353	Noncurrent Liabilities - Other	-	-	-
354	Accrued Compensated Absences - Noncurrent	-	-	-
355	Loan Liability - Noncurrent	-	-	-
356	FASB 5 Liabilities	-	-	-
357	Accrued Pension and OPEB Liabilities	-	-	-
350	Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
300	Total Liabilities	<u>21,833</u>	<u>1,162</u>	<u>22,995</u>
400	Deferred Inflow of Resources	-	-	-
508.1	Invested In Capital Assets, Net of Related Debt	586,069	-	586,069
511.1	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	47,655	-	47,655
513	Total Equity/Net Assets	<u>633,724</u>	<u>-</u>	<u>633,724</u>
600	Total Liabilities and Equity/Net Assets	<u>655,557</u>	<u>1,162</u>	<u>656,719</u>

VILLAGE OF PECOS, NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
FINANCIAL DATA SCHEDULE
June 30, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
REVENUE:				
70300	Net Tenant Rental Revenue	\$ 90,019	-	90,019
70400	Tenant Revenue - Other	4,748	-	4,748
70500	Total Tenant Revenue	<u>94,767</u>	<u>-</u>	<u>94,767</u>
70600	HUD PHA Operating Grants	80,978	28,811	109,789
70610	Capital Grants	-	2,500	2,500
70710	Management Fee	-	-	-
70720	Asset Management Fee	-	-	-
70730	Bookkeeping Fee	-	-	-
70740	Front Line Service Fee	-	-	-
70750	Other Fees	-	-	-
70700	Total Fee Revenue	<u>80,978</u>	<u>31,311</u>	<u>112,289</u>
70800	Other Government Grants	-	-	-
71100	Investment Income - Unrestricted	6	-	6
71200	Mortgage Interest Income	-	-	-
71300	Proceeds from Disposition of Assets Held for Sale	1,000	-	1,000
71310	Cost of Sale of Assets	-	-	-
71400	Fraud Recovery	-	-	-
71500	Other Revenue	-	-	-
71600	Gain or Loss on Sale of Capital Assets	-	-	-
72000	Investment Income - Restricted	-	-	-
70000	Total Revenue	<u>176,751</u>	<u>31,311</u>	<u>208,062</u>
EXPENSES:				
91100	Administrative Salaries	38,177	-	38,177
91200	Auditing Fees	3,690	3,800	7,490
91300	Management Fee	-	-	-
91310	Bookkeeping Fee	9,081	-	9,081
91400	Advertising and Marketing	-	-	-
91500	Employee Benefit Contributions - Administrative	4,730	-	4,730
91600	Office Expenses	6,481	-	6,481
91700	Legal Expense	-	-	-
91800	Travel	-	-	-
91810	Allocated Overhead	-	-	-
91900	Other	2,103	2,506	4,609
91000	Total Operating - Administrative	<u>64,262</u>	<u>6,306</u>	<u>70,568</u>
92000	Asset Management Fee	-	-	-
92100	Tenant Services - Salaries	-	-	-
92200	Relocation Costs	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-
92400	Tenant Services - Other	-	-	-
92500	Total Tenant Services	<u>-</u>	<u>-</u>	<u>-</u>

VILLAGE OF PECOS, NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
FINANCIAL DATA SCHEDULE
June 30, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
EXPENSES:				
93100	Water	\$ 11,880	-	11,880
93200	Electricity	2,785	-	2,785
93300	Gas	30,272	-	30,272
93400	Fuel	-	-	-
93500	Labor	-	-	-
93600	Sewer	6,653	-	6,653
93700	Employee Benefit Contributions - Utilities	-	-	-
93800	Other Utilities Expense	-	-	-
93000	Total Utilities	<u>51,590</u>	<u>-</u>	<u>51,590</u>
94100	Ordinary Maintenance and Operations - Labor	27,655	-	27,655
94200	Ordinary Maintenance and Operations - Materials and Other	14,649	14,699	29,348
94300	Ordinary Maintenance and Operations Contracts	6,713	-	6,713
94500	Employee Benefit Contributions - Ordinary Maintenance	3,460	-	3,460
94000	Total Maintenance	<u>52,477</u>	<u>14,699</u>	<u>67,176</u>
95100	Protective Services - Labor	-	-	-
95200	Protective Services - Other Contract Costs	-	-	-
95300	Protective Services - Other	-	-	-
95500	Employee Benefit Contributions - Protective Services	-	-	-
95000	Total Protective Services	<u>-</u>	<u>-</u>	<u>-</u>
96110	Property Insurance	6,262	-	6,262
96120	Liability Insurance	1,273	-	1,273
96130	Workmen's Compensation	2,330	-	2,330
96140	All Other Insurance	1,532	-	1,532
96100	Total insurance Premiums	<u>11,397</u>	<u>-</u>	<u>11,397</u>
96200	Other General Expenses	282	-	282
96210	Compensated Absences	-	-	-
96300	Payments in Lieu of Taxes	-	-	-
96400	Bad Debt - Tenant Rents	-	-	-
96500	Bad Debt - Mortgages	-	-	-
96600	Bad Debt - Other	-	-	-
96800	Severance Expense	-	-	-
96000	Total Other General Expenses	<u>282</u>	<u>-</u>	<u>282</u>
96710	Interest of Mortgage (or Bonds) Payable	-	-	-
96720	Interest on Notes Payable (Short and Long Term)	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-
96700	Total Interest Expense and Amortization Cost	<u>-</u>	<u>-</u>	<u>-</u>
96900	Total Operating Expenses	<u>180,008</u>	<u>21,005</u>	<u>201,013</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>(3,257)</u>	<u>10,306</u>	<u>7,049</u>

VILLAGE OF PECOS, NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
FINANCIAL DATA SCHEDULE
June 30, 2014

FDS		Low Rent	Public Housing	Total
Line #	Accounts Description	Public Housing	Capital Fund Program	Total
EXPENSES:				
97100	Extraordinary Maintenance	\$ -	-	-
97200	Casualty Losses - Non-capitalized	-	-	-
97300	Housing Assistance Payments	-	-	-
97350	HAP Portability-In	-	-	-
97400	Depreciation Expense	51,787	-	51,787
97500	Fraud Losses	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-
97800	Dwelling Units Rent Expense	-	-	-
90000	Total Expenses	<u>51,787</u>	<u>-</u>	<u>51,787</u>
OTHER FINANCING SOURCES (USES)				
10010	Operating Transfer In	7,806	-	7,806
10020	Operating Transfer Out	-	(7,806)	(7,806)
10030	Operating Transfers from/to Primary Government	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-
10050	Proceeds from Notes, Loans and Bonds	-	-	-
10060	Proceeds from Property Sales	-	-	-
10070	Extraordinary Items, Net Gain/Loss	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-
10093	Transfers between Program and Project - In	-	-	-
10094	Transfers between Project and Program - Out	-	-	-
10100	Total Other financing Sources (Uses)	<u>7,806</u>	<u>(7,806)</u>	<u>-</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	<u>(47,238)</u>	<u>2,500</u>	<u>(44,738)</u>
11020	Required Annual Debt Principal Payments	-	-	-
11030	Beginning Equity	678,462	-	678,462
11040	Prior Period Adjustments, Equity Transfers and Correction of	2,500	(2,500)	-
11050	Changes in Compensated Absence Balance	-	-	-
11060	Changes in Contingent Liability Balance	-	-	-
11070	Changes in Unrecognized Pension Transition Liability	-	-	-
11080	Changes in Special Term/Severance Benefits Liability	-	-	-
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-
11100	Changes in Allowance for Doubtful Accounts - Other	-	-	-
11170	Administrative Fee Equity	-	-	-
11180	Housing Assistance Payments Equity	-	-	-
11190	Unit Months Available	-	-	-
11210	Number of Unit Months Leased	-	-	-
11270	Excess Cash	-	-	-
11610	Land Purchases	-	-	-
11620	Building Purchases	-	-	-
11630	Furniture and Equipment - Dwelling Purchases	-	-	-
11640	Furniture and Equipment - Administrative Purchases	3,500	-	3,500
11650	Leasehold Improvements Purchases	-	-	-
11660	Infrastructure Purchases	-	-	-
13510	CFFP Debt Service Payments	-	-	-
13901	Replacement Housing Factor Funds	-	-	-

Ricci & Company LLC

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

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*

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

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, New Mexico (Village) as of and for the year ended June 30, 2014, 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 25, 2014.

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 first paragraph of this section 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.

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* to be a material weakness, 2014-003.

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 did not identify any 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 are described in the accompanying schedule of findings and responses as items 2004-008, 2004-011, 2014-001, 2014-002, 2012-002, 2013-002, and 2014-004.

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.

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 & Company, LLC

Albuquerque, New Mexico
November 25, 2014

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

A. PRIOR YEAR AUDIT FINDINGS

Village of Pecos

		STATUS
2013-01	Compliance with Purchasing Requirements	Resolved
2004-08	Travel and Per Diem Disbursements	Modified and repeated as 2004-008
2004-11	Capital Asset Inventory	Modified and repeated as 2004-011

Housing Authority

2013-02	Payroll Disbursement and Related Policies	Modified and repeated as 2013-002
2013-03	Propane Inventory Reconciliation	Resolved
2012-02	Expenditures in Excess of Budget	Modified and repeated as 2012-002
2013-04	Deposit of Public Funds	Resolved

B. CURRENT YEAR AUDIT FINDINGS

Village of Pecos

2014-001	Payroll Disbursements
2014-002	Expenditures in Excess of Budget

Housing Authority

2014-003	Inventory Accounting- Material Weakness
2014-004	Travel and Per Diem Rates

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

A. FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT

**HOUSING AUTHORITY
2014-003 INVENTORY ACCOUNTING – MATERIAL WEAKNESS**

CONDITION

As part of our audit, we tested performed a test of details and analytical procedures over the balance in propane inventory and maintenance supplies inventory. Management is tracking usage; however, management is not making periodic adjustments to reflect actual amounts on hand at year-end or used during the year.

CRITERIA

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

EFFECT

An adjustment of \$19,866 was posted to properly reflect the year-end inventory balances.

CAUSE

Per discussion with management, there was a change near year end of the external fee accountant who normally books this type of entry for management and the change created the situation.

RECOMMENDATION

Management should review the reconciliation of accounts to ensure proper balances are reported.

MANAGEMENT RESPONSE

Effective immediately the Management Administration of the Pecos Housing Authority will initiate at a minimum a quarterly conference with our new fee accountant to review and approve or make any changes to our current standing and compliance within the following areas:

- Trial balance & income worksheet
- Propane usage and current status of usage and cost
- Inventory per materials on hand, balance of materials usage per quarter and year to date usage and cost to include a year-end summarization
- In addition, we will review all balances of our QuickBooks entries for consistencies and compliance of all Financial Operations responsibilities.

In addition the Director will prepare a summary of this review for presentation to the monthly meetings with the Board of Trustees of the Pecos Housing Authority.

VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014

B. FINDINGS AND RESPONSES – COMPLIANCE AND OTHER MATTERS

**2004-008 [2004-08] TRAVEL AND PER DIEM DISBURSEMENTS – FINDINGS THAT
DO NOT RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY**

CONDITION

We tested five mileage and per diem expenditures for compliance with state statute. For one reimbursement, the IRS standard mileage rate in effect at the time was \$0.555 cents per mile. However, the Village reimbursed the employee for mileage at \$0.56 cents per mile. Additionally, a partial day per diem for the return day of travel was not properly calculated. These errors resulted in an underpayment of the employee by \$18.

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...” where a “public officer” is defined as “...every elected or appointed official of ...local public body...” and an “employee” is defined as “...any person who is in the employ of any...local public body...”

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 10-8-5(D) NMSA 1978 provides that “...the governing body of any local public body may eliminate or may reduce the rates of per diem and mileage...at any time...The local public body shall exercise this power of reduction in a reasonable manner and shall attempt to achieve a standard rate for all public officers and employees of the same classification...”

The governing body of the Village of Pecos has not acted to reduce the per diem and mileage rate, so the statutory mileage rate in effect is the IRS standard mileage rate set January 1 of the previous year.

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

Mileage and per diem reimbursements are not calculated accurately, and the Village is not in compliance with the state statute.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**2004-008 [2004-08] TRAVEL AND PER DIEM DISBURSEMENTS – FINDINGS THAT
DO NOT RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY
(CONTINUED)**

CAUSE

Mileage & per diem reimbursement forms are not being properly completed by employees and not being adequately reviewed by management. In addition, the Village does not have formal policies and procedures over travel and per diem reimbursements.

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

We dispute this finding. Village of Pecos personnel have made diligent efforts to address repeated prior year travel & per diem findings. We requested specific examples from our independent auditors to properly and accurately compute per diem reimbursements and followed their examples in our computations of travel reimbursements. In spite of following auditor's examples and recommendations, findings invariably still appear. Additionally, Clerk and Treasurer are fully cognizant of prior year deficiencies in travel requests and per diem calculations, and therefore all travel and per diem reimbursements are thoroughly reviewed for accuracy and correctness.

The use of .56 cents per mile, apparently in our attempt to round off amounts, in lieu of .555 cents, seems immaterial. We believe that an audit finding for not having to account for one-half cent is overreaching and unreasonable, in light of an operation with a \$4.8 million dollar budget.

AUDITOR'S REBUTTAL

Ricci & Company, LLC disputes management's response. Although the independent auditor did provide examples of the proper calculation of mileage and per diem in prior year, those examples clearly identified the statutory rate as up to the Internal Revenue Service standard mileage rate set January 1 of the previous year. Although we agree that the differences in computation for the additional \$.005 per mile rate are immaterial, the New Mexico State Auditor requires that *any* differences be reported as a finding. It is ultimately management's responsibility to monitor the Internal Revenue rates published by the federal government and to update the calculations using the correct rate at the time. In addition, management's response does not offer corrective action to address the improper calculation of partial day per diem that was identified in testwork.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**2004-011 [2004-11] CAPITAL ASSET ADDITIONS, DELETIONS AND INVENTORY –
FINDINGS THAT DO NOT RISE TO THE LEVEL OF A SIGNIFICANT
DEFICIENCY**

CONDITION

As part of our audit, we tested controls over fixed asset capitalization and tracking in accordance with state statute. Although the Village did conduct a physical inventory of assets in the year, we noted that the inventory procedures applied were limited in scope.

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.

EFFECT

The Village is not in compliance with state statute with respect to a complete annual physical inventory of fixed assets. Without a complete physical inventory, there is a greater risk of misappropriation or misstatement of assets.

CAUSE

The Village has made efforts to address its capital asset finding from prior year. At June 30, 2014, the Village was in the process of developing internal procedures over fixed assets which will ensure compliance with the state statute requiring a complete annual physical inventory. These procedures had not been fully implemented in the fiscal year.

RECOMMENDATION

The Village should review the state requirement for an annual physical inventory of fixed assets and fully implement procedures to ensure compliance. The inventory process should include both tracing from the fixed asset to the Village's fixed asset listing, as well as tracing from the fixed asset listing to the asset.

MANAGEMENT RESPONSE

Policies and procedures for acquisition, use, management and disposition of fixed assets have now been developed, adopted by Village resolution and fully implemented. Village personnel responsible for accounting of fixed assets are now aware of the requirement to trace fixed assets to and from the asset listing. Implementation of said policies and procedures will not only ensure compliance with state statute, but more importantly, will ensure the safe guard and provide for accurate accountability of the Village's fixed assets.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**2014-001 PAYROLL DISBURSEMENTS – FINDINGS THAT DO NOT RISE TO THE
LEVEL OF A SIGNIFICANT DEFICIENCY**

CONDITION

As part of our audit, we tested controls over twenty-five payroll disbursements. In our review, we noted that the annual cost of living wage adjustment (COLA) for fiscal year 2014 had not been properly entered into the accounting system for one Village employee. This resulted in a total underpayment of wages for the employee by \$160 in two tested disbursements. Our estimate of total underpayment in the fiscal year is \$1600, based on the assumption of fulltime employment (40 hours per week) for the relevant period.

CRITERIA

Good internal controls dictate that payroll should be reviewed sufficiently to ensure it does not contain errors and that pay rates applied are consistent with those approved.

EFFECT

The Village underpaid wages for an employee by an estimated \$1600 in the fiscal year, based on the assumption of fulltime employment (40 hours per week) for the relevant period.

CAUSE

The error was the result of the unusual timing of the COLA for this single Village employee. The COLA adjustment for this employee was scheduled for October 2013, whereas all other employees had COLA adjustments implemented in July 2013. The timing difference was due to the fact that the employee had been more recently hired. Typically, COLAs are entered into the accounting system all at once at or near the beginning of the fiscal year if approved. Because this employee's adjustment was not scheduled until later, it was accidentally overlooked.

RECOMMENDATION

We recommend that the Village review payroll more thoroughly to ensure that errors in payroll processing are prevented.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**2014-001 PAYROLL DISBURSEMENTS – FINDINGS THAT DO NOT RISE TO THE
LEVEL OF A SIGNIFICANT DEFICIENCY (CONTINUED)**

MANAGEMENT RESPONSE

The Village of Pecos disputes this finding. In accordance with Village Ordinance No. 99-1, employees in “Probationary Period” are not eligible for promotions or salary increases. The employee in question was hired on April 15, 2013 and was not eligible for an increase until April 15, 2014. Although this employee’s salary should have been increased by \$1.00 per hour effective April 15, 2014, the increase did not take effect until July 18, 2014. However, the increase was for \$2.00 per hour, not the \$1.00 per hour that was due. Therefore, effectively, the employee was more than compensated for the underpayment from April 15, 2014 through June of 2014. The amounts noted in the budget preparation worksheets made provisions for the \$1.00 increase, notwithstanding the provisions of the Ordinance in anticipation of compensating the employee when due. There never was an oversight in not adequately paying the employee.

Additionally, we dispute the finding regarding the absence of good internal controls in our payroll system. The Village of Pecos has invested heavily in a payroll system that is equipped to address virtually all possible payroll scenarios, ensures accuracy, and payroll tax compliance. The Village Treasurer and Clerk, as a matter of policy and established procedure, do not release the bi-weekly payroll to employees unless the pay period amounts are appropriately verified and reconciled to ensure accuracy and proper recording and reporting compliance. The concept of ‘Separation of Duties’ in preparing, verifying, signing of checks by the proper signatory authority in our payroll process is strictly followed. We believe that it is inaccurate to assert or imply that our payroll system is inadequate with respect to Internal Controls.

AUDITOR’S REBUTTAL

Ricci & Company, LLC disputes management’s response. The pay increase for this particular employee was not the result of a promotion, therefore, Village Ordinance 99-1, Section 1-1-6.1 Promotion, does not apply. The section states that “Only regular status and non-probationary employees may be considered for promotion. A promotion is the change of an employee from a position of one class to a position of another class with a higher minimum pay rate.”

Additionally, pursuant to Personnel Ordinance 99-1, Section 1-1-5.2, Pay Increase Eligibility, this employee was not ineligible to receive a salary increase. The section states that “All pay rates shall be subject to review annually upon review of the budget and availability of funds. Increases for individual appointed officials and employees shall not be automatic, but shall be based upon quality of performance and availability of funds. Pay increases shall be approved by the Board.” Therefore, since this employee’s salary increase was included in the budget, funds were available and approved by the Board and this employee was eligible for the increase prior to April 15, 2014.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**2014-002 EXPENDITURES IN EXCESS OF BUDGET – MATERIAL
NONCOMPLIANCE**

CONDITION

The Village of Pecos had expenditures in excess of the approved budget in the Fire Protection Fund during the year ended June 30, 2014 in the amount of \$21,627.

CRITERIA

State Statute 6-6-6, NMSA 1978 requires the expenditures of public bodies not to exceed budget authority, stating “When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof...” Further, NMAC 2.2.2.10 O(1)(a) states “If actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact must be reported in a finding and disclosed...” The legal level of budgetary control for local governments is at the fund level.

EFFECT

The Village is in violation of regulation and policies established by the State of New Mexico and Department of Finance and Administration (DFA). Violating budget constraints may impact the availability of funds for operations in future years. In addition, expenditures in excess of budget may indicate a potential lack of controls in the purchasing process which could result in unauthorized purchases being initiated.

CAUSE

The Village did not submit budget adjustment requests to DFA when it was determined that expenditures in excess of budget in the Fire Protection Fund were necessary.

RECOMMENDATION

The Village should monitor budgeted costs and, when it is anticipated that costs will exceed budgeted amounts, budget adjustment requests should be submitted for approval to DFA.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**2014-002 EXPENDITURES IN EXCESS OF BUDGET – MATERIAL
NONCOMPLIANCE (CONTINUED)**

MANAGEMENT RESPONSE

The Village of Pecos was unaware of excess expenditures over budgeted amounts until after the fiscal year had closed. Should this deficiency been noted prior to exceeding the operating budget, the appropriate budget adjustment request would have been submitted to the DFA, LGD. There was an unanticipated substantial increase in firefighting volunteers joining the Fire Department during the course of the fiscal year. This necessitated the purchase of additional emergency fire-fighting equipment which exceeded budgeted amounts in this line-item. Budgeted amounts versus anticipated expenditures will be closely monitored to ensure expenditures do not exceed budgeted amounts.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**HOUSING AUTHORITY
2012-002 [2012-02] EXPENDITURES IN EXCESS OF BUDGET – FINDINGS THAT DO
NOT RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY**

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, 2014 in the amount of \$23,234.

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 \$49,900 for utility costs and the actual cost was \$51,590; the Housing Authority budgeted \$31,000 for maintenance and the actual was \$52,477, general was budgeted for \$11,100 and actual was 11,678. It appears that the budgeted amount for maintenance may have been understated as the prior year actual amount incurred was nearly \$70,000. It does not appear that budget adjustments were made.

RECOMMENDATION

We recommend that the Housing Authority monitor its budgeted costs more closely and that changes be made in the accounting methodologies to facilitate this monitoring. We also recommend that adjustments be made to the budget when it becomes apparent that the costs will exceed the budgeted amounts.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**HOUSING AUTHORITY
2012-002 [2012-02] EXPENDITURES IN EXCESS OF BUDGET – FINDINGS THAT DO
NOT RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY (CONTINUED)**

MANAGEMENT RESPONSE

The Housing Authority is in the process of installing water meters for all residencies. It is anticipated that the use of water meters will reduce the costs for water and sewer, which are currently being billed at an estimated flat rate.

We are in the process of revising our accounting practices and will work more closely with our fee accountant so that current information is available in a timely manner and so that comparisons between budgeted amounts and actual amounts can be easily made. We will also develop a process for adjusting the budget when necessary.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**HOUSING AUTHORITY
2013-002 COMPENSATED LEAVE ACCOUNTING [FORMERLY 2013-02 PAYROLL
DISBURSEMENT AND RELATED POLICIES] – FINDINGS THAT DO NOT
RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY**

CONDITION

As part of our audit we compared vacation and sick leave accrual rates being used with those defined in the Housing Authority's Personnel Policies and found differences for two of three employees tested. The Housing Authority's Personnel Policies were updated following the 2013 audit, and these policies were approved by the Board of Commissioners on November 10, 2014. However, no adjustment was made to correct the accrual balances which used the lower incorrect rates. The rates also did not agree to the previous version of the Personnel Policies which were approved in 1993.

CRITERIA

Leave accrual rates are defined in the Housing Authority's Personnel Policies which are adopted and approved by the Board of Commissioners. The policies in effect for 2014 were not given final approval until November 10, 2014. The previous policies were approved in 1993.

EFFECT

Employee leave balances for employees may be misstated. The accrual rates actually used result in lower balances than would result if the correct rates had been used since the beginning of the year. The liability for unpaid compensated absences may be understated.

CAUSE

Incorrect leave accrual rates were used.

RECOMMENDATION

We recommend that the correct accrual rates be used. We also recommend that the Housing Authority's Personnel Policies be regularly updated as needed.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**HOUSING AUTHORITY
2013-002 COMPENSATED LEAVE ACCOUNTING [FORMERLY 2013-02 PAYROLL
DISBURSEMENT AND RELATED POLICIES] – FINDINGS THAT DO NOT RISE
TO THE LEVEL OF A SIGNIFICANT DEFICIENCY (CONTINUED)**

MANAGEMENT RESPONSE

Our current Personnel Policy was amended on November 10, 2014 by the Pecos Housing Authority Board of Trustees and Chairperson Florencio Varela. The addendum approved was regarding the annual leave and sick leave accrued per pay period from 1.08 hours of annual and 1.08 for sick leave (employees with five (5) years) to 2.89 for annual leave and 2.89 for sick leave per pay period for employees with ten (10) years.

While approved and adopted on November 10, 2014, it is understood that this addendum would go into effect on Pay Period 11, November 24, 2014.

This response will be brought forward for the Pecos Housing Authority Board of Trustees to review and approve to include a revision per our current Personnel Policy.

VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014

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

HOUSING AUTHORITY
2014-004 TRAVEL AND PER DIEM RATES – FINDINGS THAT DO NOT RISE TO
THE LEVEL OF A SIGNIFICANT DEFICIENCY

CONDITION

As part of our audit we performed a test of internal controls for expenditures. We found that incorrect rates were used for employee reimbursements of travel expenses.

CRITERIA

Per Section 2.42.2.8 NMAC, employees of local public bodies are to be reimbursed for overnight travel at a rate of \$85 per day, and by prorated amounts specifically described in the regulations for partial days of travel. Alternatively, per Section 2.42.2.9 NMAC, employees may be reimbursed for actual lodging and meal expenses in lieu of the per diem rate for overnight travel.

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...” where a “public officer” is defined as “...every elected or appointed official of ...local public body...” and an “employee” is defined as “...any person who is in the employ of any...local public body...”

Additionally, Section 10-8-5(D) NMSA 1978 provides that “...the governing body of any local public body may eliminate or may reduce the rates of per diem and mileage...at any time...The local public body shall exercise this power of reduction in a reasonable manner and shall attempt to achieve a standard rate for all public officers and employees of the same classification...”

Further, 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.”

The Village of Pecos Board of Trustees has not reduced mileage rate to be used for official travel, thus internal revenue service standard mileage rate is the rate to be used. For July 1, 2013 through December 31, 2013, this rate was \$0.555, and for January 1, 2014 through June 30, 2014 this rate was \$0.565. The mileage reimbursement rate implemented is also in conflict with the rate in the Housing Authority Personnel Policies.

EFFECT

Employees were reimbursed using higher rates than was allowed under New Mexico law. The Housing Authority was out of compliance with New Mexico law.

**VILLAGE OF PECOS, NEW MEXICO
SUMMARY OF AUDIT FINDINGS
Year Ended June 30, 2014**

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

**HOUSING AUTHORITY
2014-004 TRAVEL AND PER DIEM RATES – FINDINGS THAT DO NOT RISE TO
THE LEVEL OF A SIGNIFICANT DEFICIENCY (CONTINUED)**

CAUSE

There was confusion as to the statutory rate in effect since the Housing Authority only receives Federal funding.

RECOMMENDATION

We recommend that the Housing Authority use the rates for travel and per diem and mileage as set forth in Section 10-8-4(D) NMSA 1978. We also recommend that the section of the Housing Authority's Personnel Policies related to travel expenses be updated to agree with the state regulations.

MANAGEMENT RESPONSE

Effective immediately the Pecos Housing Authority will imitate and comply with the current Public Finance Travel and Per Diem Regulations Governing the Per Diem Mileage Act. Title 2 Chapter 42 Part 2 and with Section 10-8-4(D) NMSA 1978.

This will allow the Pecos Housing Authority to be in compliance with the Primary Government Body of the Village of Pecos.

VILLAGE OF PECOS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2014

EXIT CONFERENCE

An exit conference was held on November 25, 2014, 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 Chairperson
Mona Quintana, Village Clerk
Arthur R. Varela, Village Treasurer
Ricardo Valenzuela, Housing Authority Executive Director

Representing the Independent Auditor:

Sandra Ricci, CPA, Principal
Christina Cosme, CPA, 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.