

**STATE OF NEW MEXICO
TOWN OF PERALTA
AUDIT REPORT
JUNE 30, 2010**

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INTRODUCTORY SECTION

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OFFICIAL ROSTER

Mayor and Councilmen

<u>Name</u>	<u>Title</u>
Bryan R. Olguin	Mayor
Nancy M. Burge	Councilor
Michael Leon Otero	Councilor
Christian I. Garcia	Councilor
Joseph K. Romero	Councilor
Raymond Garcia, CPA	Acting Clerk/Treasurer
Louis Burkhard	Municipal Judge

Administrative Officials

Ginger Shoemaker	Town Clerk
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FINANCIAL STATEMENTS SECTION

INDEPENDENT AUDITORS' REPORT

Bryan R. Olguin, Mayor
Town Council
Town of Peralta
Peralta, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue funds of the Town of Peralta, New Mexico as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Town's nonmajor governmental funds, and the budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Town of Peralta, New Mexico's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Peralta, New Mexico, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the major capital project fund and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2011, on our consideration of the Town'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town of Peralta has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
October 6, 2011

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**STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
Assets	
Current assets:	
Cash	\$ 655,930
Investments	100,000
Receivables (net of allowance for uncollectibles)	129,227
Total current assets	885,157
Noncurrent assets:	
Land	142,490
Capital assets being depreciated, net	3,012,322
Total noncurrent assets	3,154,812
Total assets	4,039,969
Liabilities	
Current liabilities:	
Accounts payable	15,944
Accrued payroll expenses	4,086
Total current liabilities	20,030
Total liabilities	20,030
Net Assets	
Invested in capital assets	3,154,812
Unrestricted	865,127
Total net assets	\$ 4,019,939

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 181,222	\$ 5,145	\$ 147,906	\$ 140,175
Public safety	309,629	70,975	189,051	710,038
Highways and streets	105,972	-	-	-
Culture and recreation	<u>1,993</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 598,816</u>	<u>\$ 76,120</u>	<u>\$ 336,957</u>	<u>\$ 850,213</u>

General revenues:

Taxes:

 Gross receipts

 State shared

 Franchise

Interest on investments

Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government	
Governmental Activities	Total
\$ 112,004 660,435 (105,972) (1,993)	\$ 112,004 660,435 (105,972) (1,993)
664,474	664,474
483,417	483,417
6,381	6,381
643	643
1,692	1,692
1,300	1,300
493,433	493,433
1,157,907	1,157,907
2,862,032	2,862,032
\$ 4,019,939	\$ 4,019,939

**STATE OF NEW MEXICO
TOWN OF PERALTA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Municipal Street</u>
Assets			
Cash	\$ 398,918	\$ 149,753	\$ 48,394
Investment	100,000	-	-
Accounts receivable (net of allowance for uncollectible)	27,697	-	1,792
Due from other funds	<u>3,279</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 529,894</u>	<u>\$ 149,753</u>	<u>\$ 50,186</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,881	\$ -	\$ 13,063
Accrued payroll expenses	4,086	-	-
Due to other funds	-	3,279	-
Deferred Revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,967</u>	<u>3,279</u>	<u>13,063</u>
Fund balances:			
Unreserved, undesignated reported in:			
General fund	522,927	-	-
Special revenue funds	-	146,474	37,123
Reserved:			
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>522,927</u>	<u>146,474</u>	<u>37,123</u>
Total liabilities and fund balances	<u>\$ 529,894</u>	<u>\$ 149,753</u>	<u>\$ 50,186</u>

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds

Recognition of deferred revenue is reflected on the full accrual basis in the statement of net assets

Net assets of governmental activities

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,175	\$ 57,690	\$ 655,930
-	-	100,000
74,267	25,471	129,227
<u>-</u>	<u>-</u>	<u>3,279</u>
<u>\$ 75,442</u>	<u>\$ 83,161</u>	<u>\$ 888,436</u>
\$ -	\$ -	\$ 15,944
-	-	4,086
-	-	3,279
<u>39,999</u>	<u>-</u>	<u>39,999</u>
<u>39,999</u>	<u>-</u>	<u>63,308</u>
-	-	522,927
-	83,161	266,758
<u>35,443</u>	<u>-</u>	<u>35,443</u>
<u>35,443</u>	<u>83,161</u>	825,128
<u>\$ 75,442</u>	<u>\$ 83,161</u>	
		3,154,812
		<u>39,999</u>
		<u>\$ 4,019,939</u>

**STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Municipal Street</u>
Revenues			
Taxes:			
Gross receipts tax	\$ 425,043	\$ -	\$ 21,118
Other state shared taxes	-	-	6,381
Franchise tax	643	-	-
Licenses and permits	5,145	-	-
Intergovernmental	150,229	169,051	-
Fines and forfeitures	52,390	-	-
Interest on investments	1,393	299	-
Miscellaneous	-	-	-
Total revenues	<u>634,843</u>	<u>169,350</u>	<u>27,499</u>
Expenditures			
Current operations:			
General government	119,057	-	-
Public safety	216,419	22,876	-
Highways and streets	22,102	-	83,870
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>357,578</u>	<u>22,876</u>	<u>83,870</u>
Excess (deficiency) of revenues over expenditures	<u>277,265</u>	<u>146,474</u>	<u>(56,371)</u>
Other financing sources (uses):			
Transfers in (out)	<u>(188,000)</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	<u>(188,000)</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	<u>89,265</u>	<u>146,474</u>	<u>(6,371)</u>
Fund balances, beginning of year	<u>433,662</u>	<u>-</u>	<u>43,494</u>
Fund balances, end of year	<u>\$ 522,927</u>	<u>\$ 146,474</u>	<u>\$ 37,123</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 37,256	\$ 483,417
-	-	6,381
-	-	643
-	-	5,145
100,176	20,000	439,456
-	16,262	68,652
-	-	1,692
-	1,300	1,300
<u>100,176</u>	<u>74,818</u>	<u>1,006,686</u>
-	-	119,057
-	12,869	252,164
-	-	105,972
-	1,993	1,993
<u>197,733</u>	<u>20,000</u>	<u>217,733</u>
<u>197,733</u>	<u>34,862</u>	<u>696,919</u>
<u>(97,557)</u>	<u>39,956</u>	<u>309,767</u>
<u>133,000</u>	<u>5,000</u>	<u>-</u>
<u>133,000</u>	<u>5,000</u>	<u>-</u>
<u>35,443</u>	<u>44,956</u>	<u>309,767</u>
<u>-</u>	<u>38,205</u>	<u>515,361</u>
<u>\$ 35,443</u>	<u>\$ 83,161</u>	<u>\$ 825,128</u>

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**STATE OF NEW MEXICO
TOWN OF PERALTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ 309,767
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	217,733
Depreciation expense	(88,543)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	39,999
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The effect of a donation by the county of fire equipment, vehicles and other fire supplies by the county.	678,951
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Change in net assets of governmental activities	\$ 1,157,907
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The notes to the financial statements are an integral part of this statement.

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**STATE OF NEW MEXICO
TOWN OF PERALTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes:				
Gross receipts tax	\$ 383,295	\$ 383,295	\$ 425,656	\$ 42,361
Franchise tax	1,000	1,000	643	(357)
Licenses and permits	5,500	5,500	5,145	(355)
Intergovernmental	-	-	150,229	150,229
Fines and forfeitures	48,000	48,000	52,390	4,390
Interest on investments	<u>1,000</u>	<u>1,000</u>	<u>1,393</u>	<u>393</u>
Total revenues	<u>438,795</u>	<u>438,795</u>	<u>635,456</u>	<u>196,661</u>
Expenditures				
Current operations:				
General government	147,274	143,274	117,637	25,637
Public safety	293,723	296,223	220,534	75,689
Highways and streets	<u>47,820</u>	<u>47,820</u>	<u>21,464</u>	<u>26,356</u>
Total expenditures	<u>488,817</u>	<u>487,317</u>	<u>359,635</u>	<u>127,682</u>
Excess (deficiency) of revenues over expenditures	<u>(50,022)</u>	<u>(48,522)</u>	<u>275,821</u>	<u>324,343</u>
Other financing sources (uses):				
Transfers in (out)	<u>(23,000)</u>	<u>(188,000)</u>	<u>(188,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(23,000)</u>	<u>(188,000)</u>	<u>(188,000)</u>	<u>-</u>
Net change in fund balances	<u><u>\$(73,022)</u></u>	<u><u>\$(236,522)</u></u>	87,821	<u><u>\$ 324,343</u></u>
Beginning cash	<u><u>\$ 411,097</u></u>	<u><u>\$ 411,097</u></u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			2,666	
Change in payables			(2,074)	
Change in accrued payroll expenses			<u>852</u>	
Net change in fund balances GAAP basis			<u><u>\$ 89,265</u></u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
TOWN OF PERALTA
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 55,501	\$ 169,052	\$ 169,051	\$(1)
Interest on investments	-	-	299	299
Total revenues	<u>55,501</u>	<u>169,052</u>	<u>169,350</u>	<u>298</u>
Expenditures				
Current operations:				
Public safety	55,501	73,375	19,597	53,778
Total expenditures	<u>55,501</u>	<u>73,375</u>	<u>19,597</u>	<u>53,778</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>95,677</u>	<u>149,753</u>	<u>54,076</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 95,677</u>	<u>149,753</u>	<u>\$ 54,076</u>
Beginning cash	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS				
Change in payables			(3,279)	
Net change in fund balances GAAP basis			<u>\$ 146,474</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
TOWN OF PERALTA
MUNICIPAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
Revenues				
Taxes:				
Gross receipts tax	\$ 18,932	\$ 18,932	\$ 21,135	\$ 2,203
Other state shared taxes	<u>17,004</u>	<u>17,004</u>	<u>7,723</u>	<u>(9,281)</u>
Total revenues	<u>35,936</u>	<u>35,936</u>	<u>28,858</u>	<u>(7,078)</u>
Expenditures				
Current operations:				
Highways and streets	<u>31,337</u>	<u>81,337</u>	<u>70,807</u>	<u>10,530</u>
Total expenditures	<u>31,337</u>	<u>81,337</u>	<u>70,807</u>	<u>10,530</u>
Excess (deficiency) of revenues over expenditures	<u>4,599</u>	<u>(45,401)</u>	<u>(41,949)</u>	<u>3,452</u>
Other financing sources (uses):				
Transfers in (out)	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 4,599</u>	<u>\$ 4,599</u>	8,051	<u>\$ 3,452</u>
Beginning cash	<u>\$ 40,343</u>	<u>\$ 40,343</u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			(1,359)	
Change in payables			<u>(13,063)</u>	
Net change in fund balances GAAP basis			<u>\$(6,371)</u>	

The notes to the financial statements are an integral part of this statement.

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**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Peralta was incorporated in 2007 under the laws of the State of New Mexico. The Town operates under a Mayor - Council form of government and will provide services as authorized by its charter: public safety, highways and streets, sanitation, health and welfare, culture and recreation, planning and zoning, and general administrative services.

A. Reporting Entity

This summary of significant accounting policies of the Town of Peralta (Town) are presented to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of the Town's management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP).

The basic (but not the only) criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 revenue, are reported separately from *business-like 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 revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 revenue are reported instead as *general revenue*.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Sales, franchise, lodgers', gas, cigarette and other similar taxes are recognized when the underlying exchange transaction takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental 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 revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Town reports the following major governmental funds:

The ***General Fund*** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Fire Fund*** authorized by the State Statute Chapter 48, Section 2, Laws of 1963, is used to account for the operations of the Fire Department. Financing is provided by the State Fire Allotment, emergency medical services, interest on investments and miscellaneous revenues.

The ***Municipal Street Fund*** is to account for revenues received from the levy of a tax per gallon of gasoline purchased within Town boundaries, pursuant to the County and Municipal Gasoline Tax Act, NMSA 7-1-6.9. Expenditures from the fund may be used for the construction of a street, ally, curb, gutter or sidewalk project.

The ***Capital Projects Fund*** authorized by Chapter 92, Section 21, Paragraph 95, Laws of 2008, is used to purchase, construct, renovate, equip and furnish a town hall building in Peralta in Valencia County.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue includes all taxes.

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

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and investments include amounts in demand deposits, certificates of deposit and investments. All amounts included in pooled cash and investments with an original maturity of ninety days or less are considered to be cash equivalents for the purposes of the statement of cash flows. Investments are stated at fair market value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Receivables

The governmental funds report taxes and other fees collected at the Town, County and State level as receivables.

Capital Assets

Capital assets, which include property, plant, equipment, and improvements, are reported in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such 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. Infrastructures, consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are recorded at historical cost.

For depreciation purposes, the Village has identified the following classes of assets and estimated useful lives. Straight-line method is used for the depreciation.

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	40
Land Improvements	20
Infrastructure	20
Equipment and Machinery	3-20
Fire Protection Equipment	15
Furniture and Fixtures	15
Vehicles	5-10
Software	3
Library Books	5

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Town Clerk-Treasurer submits to the Town 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 Town Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Town Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, the Town Council and New Mexico Department of Finance, Division of Local Governments must approve any revisions that alter the total expenditures of any funds. The original budget that was adopted in July was amended during the fiscal year in a legally permissible manner.
3. Formal budgetary integration is employed as a management control device during the year for each fund.
4. Encumbrances are not reported in the budgets or financial statements.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (continued)

5. The expenditures or expenses may not legally exceed appropriations for each budget, at the fund level. Appropriations lapse at year end.

6. Budgets for the funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year the accounting records are maintained on the non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for the funds in this report are on the non-GAAP budgetary basis and actual (cash basis).

Cash and Investments

The Town can invest in; bonds or negotiable securities of the United States, the state of other governments; and other securities, contracts or obligations that are backed by the full faith and credit of the United States government. If the Town is unable to invest with the bank at the rate of interest set forth by the State of New Mexico (which is no less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit) then the Town may invest with the New Mexico State Treasurer’s short term investment pool.

At June 30, 2010, the Town had cash and cash equivalents on deposit with local financial institutions, consisting of checking accounts and certificates of deposits that are carried at cost, which also have values approximating market value. Following is a schedule as of June 30, 2010, of the cash and cash equivalents and collateral pledged to secure the public funds on deposit. All funds are held in the name of the Town in financial institutions that have exceeded the minimum collateral requirements. All financial institutions are part of the FDIC’s Transaction Account Guarantee Program.

	Balance Per Bank <u>June 30</u>	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books <u>June 30</u>
First Community Bank				
Operating	\$ 178,299	\$ -	\$ 6,394	\$ 171,905
Local Government Corrections	96,759	-	-	96,759
Fire Fund	149,638	-	14	149,624
Wells Fargo				
Short term CD	100,000	-	-	100,000
MyBank				
Checking account	<u>137,469</u>	<u>-</u>	<u>227</u>	<u>137,242</u>
Total Cash in Banks	<u>\$ 662,165</u>	<u>\$ -</u>	<u>\$ 6,635</u>	655,530
Petty Cash				<u>400</u>
Total Cash in Books				<u>\$ 655,930</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation.

	<u>MyBank</u>	First <u>Community</u>	Wells <u>Fargo</u>	<u>Total</u>
Amount on Deposit in Bank	\$ 137,469	\$ 424,696	\$ 100,000	\$ 662,165
FDIC Coverage	(137,469)	(250,000)	(100,000)	(487,469)
Transaction Account				
Guarantee Program	<u>-</u>	<u>(174,696)</u>	<u>-</u>	<u>(174,696)</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

First Community Bank is participating in the FDIC’s Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC’s general deposit insurance rules. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2010 \$0- of the Town’s bank balance of \$662,165 was exposed to custodial credit risk.

Investments consist of a six month certificate of deposit in the amount of \$100,000 on deposit at Wells Fargo Bank. This CD is fully guaranteed by the FDIC.

3. DETAILED NOTES ON ALL FUNDS

Receivables

Receivables as of year-end for the Town’s general fund and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Municipal Street Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
Gross receipts taxes	\$ 27,697	\$ 1,375	\$ -	\$ 5,471	\$ 34,543
State shared taxes	-	417	-	-	417
Intergovernmental	<u>-</u>	<u>-</u>	<u>74,267</u>	<u>20,000</u>	<u>94,267</u>
Gross receivables	27,697	1,792	74,267	25,471	129,227
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 27,697</u>	<u>\$ 1,792</u>	<u>\$ 74,267</u>	<u>\$ 25,471</u>	<u>\$ 129,227</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 54,518	\$ 87,972	\$ -	\$ 142,490
Total capital assets not being depreciated	<u>54,518</u>	<u>87,972</u>	<u>-</u>	<u>142,490</u>
Capital assets, being depreciated:				
Infrastructure	2,186,112	-	-	2,186,112
Building	218,073	517,627	-	735,700
Equipment	-	39,938	-	39,938
Vehicles	<u>-</u>	<u>251,147</u>	<u>-</u>	<u>251,147</u>
Total capital assets being depreciated	<u>2,404,185</u>	<u>808,712</u>	<u>-</u>	<u>3,212,897</u>
Less accumulated depreciation:				
Infrastructure	(109,306)	(54,653)	-	(163,959)
Building	(2,726)	(13,843)	-	(16,569)
Equipment	-	(3,557)	-	(3,557)
Vehicles	<u>-</u>	<u>(16,490)</u>	<u>-</u>	<u>(16,490)</u>
Total accumulated depreciation	<u>(112,032)</u>	<u>(88,543)</u>	<u>-</u>	<u>(200,575)</u>
Total capital assets being depreciated, net	<u>2,292,153</u>	<u>720,169</u>	<u>-</u>	<u>3,012,322</u>
Governmental activities capital assets, net	<u>\$ 2,346,671</u>	<u>\$ 808,141</u>	<u>\$ -</u>	<u>\$ 3,154,812</u>

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

Governmental Activities:	
General government	\$ 62,165
Public safety	<u>26,378</u>
Total depreciation expense - Governmental Activities:	<u>\$ 88,543</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables and Transfers

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The Inter-fund receivables and payables at June 30, 2011 were as follows:

Fund Description	Due from other funds	Due to other funds
General Fund	\$ 3,279	\$ -
Fire Protection Fund	<u>-</u>	<u>3,279</u>
	<u>\$ 3,279</u>	<u>\$ 3,279</u>

Legally authorized transfers between funds are recorded as other financing sources and uses in the respective funds. Transfers were made to move money from the pooled cash account to the related special revenue funds.

	<u>Transfers out</u>	
	<u>General</u>	<u>Total</u>
Transfers In:		
Recreation	\$ 5,000	\$ 5,000
Municipal Street	50,000	50,000
Capital Projects	<u>133,000</u>	<u>133,000</u>
Total transfers out	188,000	188,000
Less transfers in	<u>188,000</u>	<u>188,000</u>
Net transfers	<u>\$ -</u>	<u>\$ -</u>

Short Term Debt

The Town does not have any short-term debt.

Long Term Debt

The Town does not have any long-term debt.

3. DETAILED NOTES ON ALL FUNDS (Continued)

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained insurance through the Self Insurance Fund operating as a common risk management and insurance program. The Town pays an annual premium to the New Mexico Self Insurers Fund for its general insurance coverage and all risk of loss is transferred.

Related Party Transactions

The Town's mayor and council members own various businesses in their local area. For the year ending June 30, 2010 the Town paid Garcia and Associates, CPA, LLC \$9,162 for accounting services which is owned by councilor Raymond Garcia, CPA.

Joint Powers Agreements

The Town of Peralta and the County of Valencia have entered into an interim joint powers agreement dated July 1, 2008 for services to be supplied to the Town of Peralta by the County. These services shall include:

- 1) Nuisance abatement, platting, building inspection and rural addressing functions will be performed by county staff. The sum of \$8,400 was paid to the county for these services during the year ending June 30, 2010.
- 2) Usual and customary County maintenance of the roads, culverts, and bridges previously dedicated to, and previously maintained by, the County. The Town of Peralta agrees to pay all costs incurred by the County for said maintenance upon prior approval. Peralta paid the County \$-0- during the year ending June 30, 2010.

This interim joint powers agreement expires on June 30, 2010 unless extended by mutual agreement of both parties.

The Town of Peralta is a participant in a joint powers agreement with the County of Socorro, Village of Los Lunas, Pueblo of Isleta, Village of Bosque Farms, City of Belen, County of Otero, County of Valencia and Santo Domingo Pueblo to provide for the housing and care of adult prisoners arrested by the above jurisdictions. Valencia County agrees to report revenues while the other participants agree to report expenditures. All parties are responsible for their share of the agreement. The agreement is effective until December 2010. The Town of Peralta paid \$-0- to Valencia County under this joint powers agreement for the year ending June 30, 2010.

The Town of Peralta and the Village of Bosque Farms have entered into a joint powers agreement for Emergency Medical Services. This agreement covers the period of July 1, 2009 through June 30, 2010, and enables the Village of Bosque Farms to provide emergency medical services to the Town of Peralta. The Town of Peralta paid \$8,000 to the Village of Bosque Farms under this joint powers agreement for the year ended June 30, 2010.

3. DETAILED NOTES ON ALL FUNDS (Continued)

Joint Powers Agreements (continued)

The Town of Peralta and the Village of Bosque Farms have entered into a joint powers agreement for Police Services. This agreement covers the period of July 1, 2009 through June 30, 2010. The Town of Peralta agreed to a contracted amount of \$150,000, and to apply for Law Enforcement Protection Fund grants on an annual basis. The Town of Peralta shall transfer the use of such funds to the Village of Bosque Farms to be used in accordance with the Law Enforcement Protection Funds Act 29-13-1 et seq. NMSA 1978 and the Department of Finance and Administration Rule 2 NMAC 110.6. All equipment purchased with the grant funding obtained by the Town of Peralta will remain the property of the Town of Peralta. The Town of Peralta paid \$150,000 to the Village of Bosque Farms under this joint powers agreement for the year ended June 30, 2010.

The Town of Peralta and the County of Valencia have entered into joint powers service agreement for the housing of impounded Town of Peralta animals at the County Animal Control Center. The agreement began on July 1, 2009, and the Town of Peralta will pay the County all fees and costs due the County. The Town of Peralta will pay a flat rate of \$1,100 per month for the usual services provided by the County. The Town of Peralta paid \$11,000 to the County for the year ended June 30, 2010.

Capital Outlay Appropriations

Capital outlay appropriations are as follows:

<u>Fund</u>	<u>Project Appropriations</u>	<u>Appropriation Period</u>	<u>Expenditures to Date</u>	<u>Unexpended Balance</u>
General - Town Hall				
08-L-G-3280	\$ <u>415,000</u>	7/08 to 6/12	\$ <u>410,849</u>	\$ <u>4,151</u>
Total	\$ <u><u>415,000</u></u>		\$ <u><u>410,849</u></u>	\$ <u><u>4,151</u></u>

The remaining unexpended balance will be reappropriated to the State of New Mexico.

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SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO
TOWN OF PERALTA
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

SPECIAL REVENUE FUNDS

Corrections Fund – To account for revenues collected from the assessment of correction fees and court cost, pursuant to NMSA 35-14-11. Expenditures from this fund may be used for municipal jailer or juvenile detention officer training; for planning, construction, operating and maintaining a municipal jail for juveniles in a detention facility; or for complying with match or contribution requirements for the receipt of Federal funds relating to jailing or juvenile detention facilities.

Environmental GRT Fund – To account for municipal gross receipts tax revenues received pursuant to NMSA, 1978 section 7-20E-17. These revenues are to be used for the acquisition, construction, operation, and maintenance of solid waste facilities, water facilities, sewer systems, and related facilities.

EMS Fund – authorized by State Statute Chapter 178, Laws of 1978, is used to account for all rescue operations within the fire department. Financing is provided by a state grant and subsidized by the General Fund.

Law Enforcement Fund – To account for State revenues received pursuant to the Law Enforcement Corrections Act, NMSA 29-13-3. Expenditures from this fund may be used for the repair and purchase of law enforcement apparatus and equipment, expenditures associated with advanced law enforcement planning and training, and complying with match or contribution requirements for receipt of Federal funds, and salaries for law enforcement personnel under certain conditions.

Recreation Fund – authorized by State Statute (7-12-15), is used to account for the operations and maintenance of the parks and other recreation type activities. Financing is provided by a cigarette tax, grants, interests on investments and miscellaneous revenues.

**STATE OF NEW MEXICO
TOWN OF PERALTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue		
	Corrections	Environmental GRT	EMS
Assets			
Cash	\$ 21,218	\$ 18,239	\$ 13,926
Accounts receivable	-	687	4,784
Total assets	\$ 21,218	\$ 18,926	\$ 18,710
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances:			
Unreserved, undesignated reported in:			
Special revenue	21,218	18,926	18,710
Total fund balances	21,218	18,926	18,710
Total liabilities and fund balances	\$ 21,218	\$ 18,926	\$ 18,710

The notes to the financial statements are an integral part of this statement.

Special Revenue

Law Enforcement	Recreation	Total
\$ -	\$ 4,307	\$ 57,690
20,000	-	25,471
\$ 20,000	\$ 4,307	\$ 83,161
\$ -	\$ -	\$ -
-	-	-
20,000	4,307	83,161
20,000	4,307	83,161
\$ 20,000	\$ 4,307	\$ 83,161

**STATE OF NEW MEXICO
TOWN OF PERALTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Corrections</u>	<u>Environmental GRT</u>	<u>EMS</u>
Revenues			
Taxes			
Gross receipts tax	\$ -	\$ 10,546	\$ 26,710
Intergovernmental	-	-	-
Fines and forfeitures	16,262	-	-
Miscellaneous	-	-	-
Total revenues	<u>16,262</u>	<u>10,546</u>	<u>26,710</u>
Expenditures			
Current operations:			
Public safety	4,869	-	8,000
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>4,869</u>	<u>-</u>	<u>8,000</u>
Excess (deficiency) of revenues over expenditures	<u>11,393</u>	<u>10,546</u>	<u>18,710</u>
Other financing sources (uses):			
Transfers in (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11,393	10,546	18,710
Fund balances, beginning of year	<u>9,825</u>	<u>8,380</u>	<u>-</u>
Fund balances, end of year	<u>\$ 21,218</u>	<u>\$ 18,926</u>	<u>\$ 18,710</u>

The notes to the financial statements are an integral part of this statement.

Special Revenue

Law Enforcement	Recreation	Total
\$ -	\$ -	\$ 37,256
20,000	-	20,000
-	-	16,262
-	1,300	1,300
<u>20,000</u>	<u>1,300</u>	<u>74,818</u>
-	-	12,869
-	1,993	1,993
<u>20,000</u>	<u>-</u>	<u>20,000</u>
<u>20,000</u>	<u>1,993</u>	<u>34,862</u>
<u>-</u>	<u>(693)</u>	<u>39,956</u>
<u>-</u>	<u>5,000</u>	<u>5,000</u>
<u>-</u>	<u>5,000</u>	<u>5,000</u>
-	4,307	44,956
<u>20,000</u>	<u>-</u>	<u>38,205</u>
<u>\$ 20,000</u>	<u>\$ 4,307</u>	<u>\$ 83,161</u>

**STATE OF NEW MEXICO
TOWN OF PERALTA
CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Fines and forfeitures	\$ <u>15,600</u>	\$ <u>15,600</u>	\$ <u>16,262</u>	\$ <u>662</u>
Total revenues	<u>15,600</u>	<u>15,600</u>	<u>16,262</u>	<u>662</u>
Expenditures				
Current operations:				
Public safety	<u>15,600</u>	<u>15,600</u>	<u>4,869</u>	<u>10,731</u>
Total expenditures	<u>15,600</u>	<u>15,600</u>	<u>4,869</u>	<u>10,731</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>11,393</u>	<u>11,393</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,393</u>	\$ <u>11,393</u>
Beginning cash	\$ <u>9,825</u>	\$ <u>9,825</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
TOWN OF PERALTA
ENVIRONMENTAL GRT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes:				
Gross receipts tax	\$ <u>9,470</u>	\$ <u>9,470</u>	\$ <u>10,555</u>	\$ <u>1,085</u>
Total revenues	<u>9,470</u>	<u>9,470</u>	<u>10,555</u>	<u>1,085</u>
Excess (deficiency) of revenues over expenditures	<u>9,470</u>	<u>9,470</u>	<u>10,555</u>	<u>1,085</u>
Net change in fund balances	\$ <u><u>9,470</u></u>	\$ <u><u>9,470</u></u>	10,555	\$ <u><u>1,085</u></u>
Beginning cash	\$ <u><u>7,684</u></u>	\$ <u><u>7,684</u></u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			(<u>9</u>)	
Net change in fund balances GAAP basis			\$ <u><u>10,546</u></u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
TOWN OF PERALTA
EMS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes:				
Gross receipts tax	\$ 32,000	\$ 32,000	\$ 21,926	\$(10,074)
Total revenues	<u>32,000</u>	<u>32,000</u>	<u>21,926</u>	<u>(10,074)</u>
Expenditures				
Current operations:				
Public safety	32,000	32,000	8,000	24,000
Total expenditures	<u>32,000</u>	<u>32,000</u>	<u>8,000</u>	<u>24,000</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>13,926</u>	<u>13,926</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	13,926	<u>\$ 13,926</u>
Beginning cash	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			<u>4,784</u>	
Net change in fund balances GAAP basis			<u>\$ 18,710</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
TOWN OF PERALTA
LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u> </u>
Revenues				
Intergovernmental	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ <u>-</u>
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Expenditures				
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Beginning cash	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
TOWN OF PERALTA
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive Negative
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
Revenues				
Miscellaneous	\$ <u>1,500</u>	\$ <u>1,500</u>	\$ <u>1,300</u>	\$(<u>200</u>)
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>1,300</u>	<u>(200)</u>
Expenditures				
Current operations:				
Culture and recreation	<u>6,000</u>	<u>6,000</u>	<u>1,993</u>	<u>4,007</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>1,993</u>	<u>4,007</u>
Excess (deficiency) of revenues over expenditures	<u>(4,500)</u>	<u>(4,500)</u>	<u>(693)</u>	<u>3,807</u>
Other financing sources (uses):				
Transfers in (out)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	\$ <u><u>500</u></u>	\$ <u><u>500</u></u>	\$ <u><u>4,307</u></u>	\$ <u><u>3,807</u></u>
Beginning cash	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
TOWN OF PERALTA
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ <u>142,000</u>	\$ <u>65,908</u>	\$ <u>65,908</u>	\$ <u>-</u>
Total revenues	<u>142,000</u>	<u>65,908</u>	<u>65,908</u>	<u>-</u>
Expenditures				
Capital outlay	<u>160,000</u>	<u>197,733</u>	<u>197,733</u>	<u>-</u>
Total expenditures	<u>160,000</u>	<u>197,733</u>	<u>197,733</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(18,000)</u>	<u>(131,825)</u>	<u>(131,825)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in (out)	<u>18,000</u>	<u>133,000</u>	<u>133,000</u>	<u>-</u>
Total other financing sources (uses)	<u>18,000</u>	<u>133,000</u>	<u>133,000</u>	<u>-</u>
Net change in fund balances	\$ <u><u>-</u></u>	\$ <u><u>1,175</u></u>	1,175	\$ <u><u>-</u></u>
Beginning cash	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			74,267	
Change in deferred revenues			<u>(39,999)</u>	
Net change in fund balances GAAP basis			<u><u>\$ 35,443</u></u>	

The notes to the financial statements are an integral part of this statement.

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OTHER SUPPLEMENTARY INFORMATION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Bryan R. Olguin, Mayor
Town Council
Town of Peralta
Peralta, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Town of Peralta, New Mexico (Town), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. 2008-A, 2009-A, 2009-B, 2009-C, and 2010-A. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2010-B.

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

This report is intended solely for the information and use of management, the City Council, the State Auditor, the New Mexico Legislature, applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
October 6, 2011

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**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

Financial Statement Findings

Prior Year

2008-A	Audit Report Due Date – Repeated
2009-A	Deposit of Public Money – Repeated
2009-B	Budget Adjustment Request – Repeated and Modified
2009-C	Court Bond Account – Repeated and Modified

Current Year

2008-A	Audit Report Due Date – Repeated
2009-A	Deposit of Public Money – Repeated
2009-B	Budget Adjustment Request – Repeated and Modified
2009-C	Court Bond Account – Repeated and Modified
2010-A	Court Fines
2010-B	Deposit Records

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

2008-A

Audit Report Due Date
(significant deficiency)

Condition:

The audit report was not submitted by the due date, December 1, 2010. The report was submitted to the New Mexico Office of the State Auditor on October 14, 2011.

Criteria:

Section 2.2.9 A(1)(d) NMAC Audit Rule 2011, Requirements for Contracting and Conducting Audits of Agencies, states annual audit reports are to be received in the Office of the State Auditor on or before December 1st.

Effect:

The Town is not in compliance with the New Mexico State Auditor Rule.

Cause:

The Town was incorporated in the fiscal year ending June 30, 2008. The Town decided at a later date to contract for an audit since inception. By this time the audit report for the fiscal year ending June 30, 2010 was late.

Recommendation:

In the future emphasis should be directed towards completion of the audit by the required due date.

Response:

The Town agrees with this recommendation.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

2009-A

Deposit of Public Money
(significant deficiency)

Condition:

During the testing of cash receipts and deposits, five deposits were held in excess of five days prior to being deposited in the Town bank account.

Criteria:

6-10-36.1 NMSA 1978 requires collected receipts of public money to be deposited within a period not to exceed five days from the date of collection when a municipality has no suitable banking facility within its boundaries.

Effect:

The Town was holding collected receipts in excess of five days prior to being deposited within the Town's bank account. This could result in loss of collected receipts.

Cause:

The Town only had a part time receptionist during this period. The receptionist would open the mail and remit the receipts to the Town treasurer at a different location. This caused delays between the time of collection and deposit.

Recommendation:

The Town should make every attempt to deposit collected receipts within the five day time period.

Response:

The Town now has a receptionist and a clerk. Deposits are no longer taken to the Town treasure but are rather deposited by either the receptionist or clerk, both of whom make sure receipts are deposited within the five day time period.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

2009-B **Budget Adjustment Request**
(significant deficiency)

Condition: The Town made expenditures in the Capital Projects Fund prior to the Budget Adjustment Request being approved by the Department of Finance and Administration. One budget adjustment request (BAR) during the fiscal year ending June 30, 2010 was requested on July 28, 2010. The BAR was dated after the actual expenditures in the Capital Projects Funds and was not approved by the Department of Finance and Administration (DFA) prior to the expenditure.

Criteria: 6-6-2 G. NMSA 1978 states “In case of a need necessitating the expenditure for an item not provided for in the budget, upon approval of the secretary of finance and administration, the budget may be revised to authorize the expenditure.”

Effect: The Town expended money prior to requesting a budget adjustment and approval by DFA.

Cause: The Town received a capital grant for expenditures related to the renovation of their Town Hall. However, the Town failed to amend the budget with DFA approval in a timely manner prior to expending money for the renovations.

Recommendation: When amending the original budget, the Town should request a BAR and if necessary wait for DFA approval prior to expending funds.

Response: The Town agrees with the recommendation.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

2009-C

Court Bond Account
(significant deficiency)

Condition:

The Town does not have a separate cash account for court bonds.

Criteria:

GASB Codification Section 1300.114 states “Agency funds should be used to report resources held by the reporting government in a purely custodial capacity.”

Effect:

Bonds are not being held in a separate fiduciary account and reconciled monthly.

Cause:

The Court has a separate bank account set up; however, all court fines and bonds are going into this account. Checks are also being written out of the account for remittance of the court automations, and judicial education fees. This indicates that a separate fiduciary account has not been established for the bonds.

Recommendation:

The Town needs to set up a separate non-interest bearing account only for cash bonds. This account should be reconciled monthly and the balance should reflect bonds being held by the Town of Peralta.

Response:

The Town agrees with the recommendation and is now using a designated account for bonds only.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

2010-A

**Court Fines
(significant deficiency)**

Condition:

The court allows offenders to work off their fines by performing community service. The court clerk does not currently track this, nor do they maintain a schedule showing who performed the service, when it was performed, and how the fines were reduced due to the community service.

Criteria:

Section 6-10-2 NMSA 1978 “It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money.”

Effect:

Without proper documentation of public service, it is difficult to determine if and when the court fines are being paid. This public service in lieu of cash payments is not being documented on the Town’s general ledger or in any other matter.

Cause:

The court allows offenders, without the financial ability to pay their fines, to provide community service in place of cash payments. However, there is no documentation to support the public service provided in lieu of cash payments.

Recommendation:

The Court clerk should document individuals that are providing public service in lieu of fines, the public service being provided and the associated dollars of fines that are being paid in this manner.

Response:

The Town has now set up a system where the plaintiff fills out a form which is approved by the Judge. The form shows plaintiff name, fine, community service to be performed and number of hours required to work off the fine. These forms are tracked by the Town Clerk who verifies that the public service hours are performed.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

2010-B

Deposit Records
(control deficiency)

Condition:

During the testing of cash receipts, a sample of nine days was selected to test for timely deposits. Of the days requested for testing four days of deposit documentation could not be located.

Criteria:

Section 6-6-3 A. NMSA 1978 “Every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the local government division.”

Effect:

The documentation to support the deposits and revenues is unavailable for these four days.

Cause:

Deposits were made at Town Hall but were then taken to the CPA for input into the general ledger. Documentation would then be transferred back to Town Hall. At some point during the transfer of information the documentation was misplaced.

Recommendation:

Documentation should be filed and maintained for at least 5 years.

Response:

All documentation is now maintained at the Town Hall and the Town has an individual on site that records all accounting information into the general ledger.

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**STATE OF NEW MEXICO
TOWN OF PERALTA
EXIT CONFERENCE
JUNE 30, 2010**

EXIT CONFERENCE

An exit conference was held on October 6, 2011 at the Town's offices. In attendance were Christian I. Garcia, Councilor and Ginger Shoemaker, Clerk from the Town of Peralta. Regina Gordon, CPA was in attendance for Pattillo, Brown & Hill, L.L.P.

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the auditors, Pattillo, Brown, and Hill, L.L.C., Certified Public Accountants; however the financial statements are the responsibility of the management.