

**STATE OF NEW MEXICO
TOWN OF PERALTA
AUDIT REPORT
JUNE 30, 2013**

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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
Tracy Aragon	Councilor
Michael Leon Otero	Mayor Pro-Tem
Joseph K. Romero	Councilor
Ginger Shoemaker	Councilor/Treasurer
David Young	Municipal Judge

Administrative Officials

Julie Pluemer	Town Clerk/Administrator
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FINANCIAL STATEMENTS SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

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 major special revenue fund of the Town of Peralta, New Mexico, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons for the nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Peralta, New Mexico, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund 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 of the Town as of June 30, 2013, and the respective changes in financial position 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 the MD&A which is required 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 Government 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 Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "Other Supplemental Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 schedules 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 8, 2013 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 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 Town's internal control over financial reporting and compliance.

Pattillo, Brown & Hill LLP

Pattillo, Brown and Hill, LLP
Albuquerque, New Mexico
November 8, 2013

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**STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash	\$ 1,342,153
Receivables (net of allowance for uncollectibles)	<u>270,469</u>
Total current assets	<u>1,612,622</u>
Noncurrent assets:	
Land	142,490
Construction in progress	58,604
Capital assets being depreciated, net	<u>3,855,004</u>
Total noncurrent assets	<u>4,056,098</u>
Total assets	<u>5,668,720</u>
Liabilities	
Current liabilities:	
Accounts payable	195
Accrued payroll expenses	<u>5,990</u>
Total current liabilities	<u>6,185</u>
Noncurrent liabilities:	
Compensated absences	<u>4,474</u>
Total noncurrent liabilities	<u>4,474</u>
Total liabilities	<u>10,659</u>
Net Position	
Net investment in capital assets	4,056,098
Restricted for:	
Capital Projects	201,217
Unrestricted	<u>1,400,746</u>
Total net position	<u>\$ 5,658,061</u>

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, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 313,306	\$ 6,359	\$ 171,074	\$ -
Public safety	345,473	38,858	88,885	-
Highways and streets	135,898	-	-	548,038
Culture and recreation	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 795,677</u>	<u>\$ 45,217</u>	<u>\$ 259,959</u>	<u>\$ 548,038</u>
General revenues:				
Taxes:				
Gross receipts				
State shared				
Franchise				
Interest on investments				
Miscellaneous				
Total general revenues				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Net (Expense) Revenue
and Changes in
Net Position

Primary Government
Governmental
Activities

\$(135,873)
(217,730)
412,140
(1,000)

57,537

692,373
20,124
5,391
1,699
1,309
720,896
778,433

4,879,628

\$ 5,658,061

**STATE OF NEW MEXICO
TOWN OF PERALTA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>Municipal Street</u>	<u>Other Governmental Funds</u>
Assets			
Cash	955,158	\$ 156,080	\$ 230,915
Accounts receivable (net of allowance for uncollectible)	<u>46,518</u>	<u>202,803</u>	<u>21,148</u>
Total assets	<u>\$ 1,001,676</u>	<u>\$ 358,883</u>	<u>\$ 252,063</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 195	\$ -	\$ -
Accrued payroll expenses	5,990	-	-
Deferred revenue	<u>-</u>	<u>201,217</u>	<u>-</u>
Total liabilities	<u>6,185</u>	<u>201,217</u>	<u>-</u>
Fund balances:			
Restricted for:			
Special revenue	-	157,666	252,063
Capital projects	-	-	-
Unassigned	<u>995,491</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>995,491</u>	<u>157,666</u>	<u>252,063</u>
Total liabilities and fund balances	<u>\$ 1,001,676</u>	<u>\$ 358,883</u>	<u>\$ 252,063</u>

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

**Total
Governmental
Funds**

\$ 1,342,153

270,469

\$ 1,612,622

\$ 195

5,990

201,217

207,402

409,729

-

995,491

1,405,220

\$ 1,612,622

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**STATE OF NEW MEXICO
TOWN OF PERALTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

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

Fund Balances - Total Governmental Funds		\$ 1,405,220
Long ter liabilities are not due and payable in the current period and therefore are not reported in the funds.		
	Compensated absences	(4,474)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
	Governmental capital assets	4,636,341
	Less accumulated depreciation	(580,243)
A portion of accounts receivable is not available to pay for current period expenditures and, therefore, is deferred in the funds.		<u>201,217</u>
Net position of governmental activities		<u>\$ 5,658,061</u>

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

**STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Municipal Street</u>	<u>Other Governmental Funds</u>
Revenues			
Taxes:			
Gross receipts tax	\$ 617,854	\$ 30,499	\$ 44,020
Other state shared taxes	-	20,124	-
Franchise tax	5,391	-	-
Licenses and permits	6,359	-	-
Intergovernmental:			
State	171,074	346,821	88,885
Fines and forfeitures	25,580	-	13,278
Interest on investments	1,699	-	-
Miscellaneous	1,309	-	-
Total revenues	<u>829,266</u>	<u>397,444</u>	<u>146,183</u>
Expenditures			
Current operations:			
General government	210,070	-	524
Public safety	279,075	-	58,683
Highways and streets	79,199	-	-
Culture and recreation	1,000	-	-
Capital outlay	<u>47,348</u>	<u>441,113</u>	<u>36,430</u>
Total expenditures	<u>616,692</u>	<u>441,113</u>	<u>95,637</u>
Excess (deficiency) of revenues over expenditures	<u>212,574</u>	<u>(43,669)</u>	<u>50,546</u>
Other financing sources (uses):			
Transfers in	-	99,500	3,358
Transfers (out)	<u>(102,858)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(102,858)</u>	<u>99,500</u>	<u>3,358</u>
Net change in fund balances	<u>109,716</u>	<u>55,831</u>	<u>53,904</u>
Fund balances, beginning of year	808,833	101,835	275,101
Restatement	76,942	-	(76,942)
Fund balances, beginning as restated	<u>885,775</u>	<u>101,835</u>	<u>198,159</u>
Fund balances, end of year	<u>\$ 995,491</u>	<u>\$ 157,666</u>	<u>\$ 252,063</u>

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

**Total
Governmental
Funds**

\$ 692,373
20,124
5,391
6,359

606,780
38,858
1,699
1,309

1,372,893

210,594
337,758
79,199
1,000
524,891

1,153,442

219,451

102,858
(102,858)

-

219,451

1,185,769

-
1,185,769

\$ 1,405,220

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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, 2013**

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

Net change in fund balances - total governmental funds	\$ 219,451
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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	524,891
	Depreciation expense	(162,652)

Under the modified accrual basis of accounting used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. In the statement of activities, however, which is presented on an accrual basis, revenues and related receivables are reported regardless of when financial resources are available. This adjustment combines the net changes of

201,217

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	Compensated absences - increase	(<u>4,474</u>)
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Change in net position of governmental activities

\$ 778,433

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, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Gross receipts tax	\$ 400,000	\$ 400,000	\$ 619,603	\$ 219,603
Franchise tax	3,000	3,000	5,271	2,271
Licenses and permits	5,500	5,500	6,359	859
Intergovernmental:				
State	150,000	150,000	171,074	21,074
Fines and forfeitures	22,000	22,000	25,580	3,580
Interest on investments	175	175	1,699	1,524
Miscellaneous	-	-	1,309	1,309
Total revenues	<u>580,675</u>	<u>580,675</u>	<u>830,895</u>	<u>250,220</u>
Expenditures				
Current operations:				
General government	265,250	265,250	211,125	54,125
Public safety	327,261	327,261	279,075	48,186
Highways and streets	186,391	186,391	79,199	107,192
Culture and recreation	1,000	1,000	1,000	-
Capital outlay	<u>48,000</u>	<u>48,000</u>	<u>47,348</u>	<u>652</u>
Total expenditures	<u>827,902</u>	<u>827,902</u>	<u>617,747</u>	<u>210,155</u>
Excess (deficiency) of revenues over expenditures	(247,227)	(247,227)	213,148	460,375
Other financing sources (uses):				
Transfers (out)	(199,988)	(186,644)	(102,858)	83,786
Total other financing sources (uses)	(199,988)	(186,644)	(102,858)	83,786
Net change in fund balances	<u>\$(447,215)</u>	<u>\$(433,871)</u>	110,290	<u>\$ 544,161</u>
Beginning cash	<u>\$ 613,920</u>	<u>\$ 613,920</u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			(1,629)	
Change in payables			3,721	
Change in accrued payroll expenses			(2,666)	
Net change in fund balances GAAP basis			<u>\$ 109,716</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
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, 2013**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes:				
Gross receipts tax	\$ 24,251	\$ 24,251	\$ 32,958	\$ 8,707
Other state shared taxes	18,710	18,710	20,230	1,520
Intergovernmental:				
State	<u>461,866</u>	<u>461,866</u>	<u>346,821</u>	<u>(115,045)</u>
Total revenues	<u>504,827</u>	<u>504,827</u>	<u>400,009</u>	<u>(104,818)</u>
Expenditures				
Capital outlay	<u>765,821</u>	<u>765,821</u>	<u>441,113</u>	<u>324,708</u>
Total expenditures	<u>765,821</u>	<u>765,821</u>	<u>441,113</u>	<u>324,708</u>
Excess (deficiency) of revenues over expenditures	<u>(260,994)</u>	<u>(260,994)</u>	<u>(41,104)</u>	<u>219,890</u>
Other financing sources (uses):				
Transfers in	<u>163,310</u>	<u>163,310</u>	<u>99,500</u>	<u>(63,810)</u>
Total other financing sources (uses)	<u>163,310</u>	<u>163,310</u>	<u>99,500</u>	<u>(63,810)</u>
Net change in fund balances	<u>\$ (97,684)</u>	<u>\$ (97,684)</u>	58,396	<u>\$ 156,080</u>
Beginning cash	<u>\$ 97,684</u>	<u>\$ 97,684</u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			198,652	
Change in deferred revenue			<u>(201,217)</u>	
Net change in fund balances GAAP basis			<u>\$ 55,831</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
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2013**

ASSETS

Cash	\$ <u>2,049</u>
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LIABILITIES

Deposits payable	\$ <u>2,049</u>
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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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 position 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 ***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, Municipal Gasoline Tax Act, NMSA 7-1-6.9, and state appropriations to be used for the construction and repair and maintenance of roads. Expenditures from the fund may be used for the construction of a street, ally, curb, gutter or sidewalk project.

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 – committed, assigned, and unassigned – in this order as needed.

D. **Assets, Liabilities, Net Position and Fund Balance**

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. Investments are stated at fair market value.

Receivables

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Assets, Liabilities, Net Position and Fund Balance** (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and improvements, are reported in the government-wide financial statements. The Town 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 Town 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

Compensated Absences

The Town's employees earn vacation leave, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation leave pay is accrued when incurred in the government-wide financial statements. Sick leave accrues at the rate of eight hours per month. An employee may carryover all unused sick leave. No employee shall receive compensation for unused sick leave at separation therefore; no liability is recorded for accrued, unused sick leave.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Town council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Town Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

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

A. 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.
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).

3. DETAILED NOTES ON ALL FUNDS

A. Deposits 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, 2013, 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, 2013, 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.

	Balance Per Bank June 30	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books June 30
USBank				
Court Bond Account	\$ 2,491	\$ -	\$ 442	\$ 2,049
Fire Fund	2,128	-	-	2,128
Wells Fargo				
Operating	770,182	-	126,372	643,810
Savings	245,715	-	-	245,715
CD	250,000	-	-	250,000
First American Bank				
Checking	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total Cash in Banks	<u>\$ 1,470,516</u>	<u>\$ -</u>	<u>\$ 126,814</u>	1,343,702
Petty Cash				<u>500</u>
Total Cash in Books				<u>\$ 1,344,202</u>
As Reported in Financial Statements:				
Cash				\$ 1,342,153
Agency fund				<u>2,049</u>
				<u>\$ 1,344,202</u>

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

A. **Deposits 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.

B. **Pledged Collateral**

	First <u>American</u>	<u>USBank</u>	Wells <u>Fargo</u>	<u>Total</u>
Amount on Deposit in Bank	\$ 200,000	\$ 4,619	\$ 1,265,897	\$ 1,470,516
FDIC Coverage	<u>(200,000)</u>	<u>(4,619)</u>	<u>(250,000)</u>	<u>(454,619)</u>
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>1,015,897</u>	<u>1,015,897</u>
Collateral pledged:				
Wells Fargo				
FNMA, 5/01/41, CUSIP 3138ACBF3	-	-	75,452	75,452
FNMA, 8/01/41, CUSIP 3138ANHX4	-	-	26,047	26,047
FNMA, 1/01/43, CUSIP 3138NXES2	-	-	225,248	225,248
FNMA, 3/01/43, CUSIP 3138W7GH1	-	-	48,523	48,523
FNMA, 1/01/43, CUSIP 31417ESU6	-	-	230,368	230,368
FNMA, 9/01/40, CUSIP 31419ANB9	<u>-</u>	<u>-</u>	<u>211,096</u>	<u>211,096</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the Town's name	<u>-</u>	<u>-</u>	<u>816,734</u>	<u>816,734</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,163</u>	<u>\$ 199,163</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ -	\$ 507,949	\$ 507,949
Pledged collateral	<u>-</u>	<u>-</u>	<u>816,734</u>	<u>816,734</u>
Over (under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$(308,786)</u>	<u>\$(308,786)</u>

C. **Custodial Credit Risk - Deposits**

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, 2013 \$199,163 of the Town's bank balance of \$1,470,516 was exposed to custodial credit risk.

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. 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:

	General Fund	Municipal Street Fund	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Receivables:				
Gross receipts taxes	\$ 46,518	\$ 1,169	\$ 1,148	\$ 48,835
State shared taxes	-	417	-	417
Intergovernmental	<u>-</u>	<u>201,217</u>	<u>20,000</u>	<u>221,217</u>
Gross receivables	46,518	202,803	21,148	270,469
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 46,518</u>	<u>\$ 202,803</u>	<u>\$ 21,148</u>	<u>\$ 270,469</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 142,490	\$ -	\$ -	\$ 142,490
Construction in Progress	<u>-</u>	<u>58,604</u>	<u>-</u>	<u>58,604</u>
Total capital assets not being depreciated	<u>142,490</u>	<u>58,604</u>	<u>-</u>	<u>201,094</u>
Capital assets, being depreciated:				
Infrastructure	2,710,119	382,509	-	3,092,628
Building	735,700	5,383	-	741,083
Equipment	59,000	40,855	-	99,855
Vehicles	<u>464,141</u>	<u>37,540</u>	<u>-</u>	<u>501,681</u>
Total capital assets being depreciated	<u>3,968,960</u>	<u>466,287</u>	<u>-</u>	<u>4,435,247</u>
Less accumulated depreciation:				
Infrastructure	(287,292)	(89,406)	-	(376,698)
Building	(53,355)	(18,729)	-	(72,084)
Equipment	(13,813)	(9,670)	-	(23,483)
Vehicles	<u>(63,131)</u>	<u>(44,847)</u>	<u>-</u>	<u>(107,978)</u>
Total accumulated depreciation	<u>(417,591)</u>	<u>(162,652)</u>	<u>-</u>	<u>(580,243)</u>
Total capital assets being depreciated, net	<u>3,551,369</u>	<u>303,635</u>	<u>-</u>	<u>3,855,004</u>
Governmental activities capital assets, net	<u>\$ 3,693,859</u>	<u>\$ 362,239</u>	<u>\$ -</u>	<u>\$ 4,056,098</u>

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

Governmental Activities:	
General government	\$ 98,238
Public Works	7,715
Public safety	<u>56,699</u>
Total depreciation expense - Governmental Activities:	<u>\$ 162,652</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

F. 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, 2013 were \$-0-.

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:		
Municipal Street	\$ 99,500	\$ 99,500
Nonmajor	<u>3,358</u>	<u>3,358</u>
Total transfers out	102,858	102,858
Less transfers in	<u>102,858</u>	<u>102,858</u>
Net transfers	<u>\$ -</u>	<u>\$ -</u>

G. Short Term Debt

The Town does not have any short-term debt.

H. Long Term Debt

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	\$ -	\$ 5,227	\$ 753	\$ 4,474	\$ -
Governmental activities- long-term liabilities	<u>\$ -</u>	<u>\$ 5,227</u>	<u>\$ 753</u>	<u>\$ 4,474</u>	<u>\$ -</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

3. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior three years. There are no claim liabilities at year-end.

J. Joint Powers Agreements

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, 2012 through June 30, 2013. The Town of Peralta agreed to a contracted amount of \$180,000, plus up to an additional \$10,000 for excessive overtime incurred by Bosque Farms Police Department, 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 \$182,885 to the Village of Bosque Farms under this joint powers agreement for the year ended June 30, 2013.

The Town of Peralta and the County of Valencia have entered into an agreement on March 2, 2011 to share resources in order to protect the citizens of the county by insuring that the citizens of Peralta are able to be served by emergency services through the administration of an accurate and Geographical Information Systems (GIS) addressing system that is necessary for the operation of emergency services. The State of New Mexico 9-1-1 Rules and Regulations require that the 9-1-1 Databases, including the Master Street Address Guide (MSAG) and Automatic Location Identifier (ALI) be maintained at each Public Safety Answering Point (PSAP) at a 96% or higher accuracy rate. The County shall keep the Town of Peralta E-911 road centerline file up to date for use by the Valencia Regional Emergency Call Center for dispatch of Emergency Responders, and maintain the Town's MSAG. The Town shall pay \$3,000 for the first year of the agreement. Thereafter the Town shall pay the following rate upon receipt of a detailed monthly invoice: \$30 per E-911 address and telephone correction in the system, \$30 per new address point entered into the GIS layer and \$50 per new road entered into the GIS layer and E-911 system. The Town of Peralta paid \$-0- to the County for the year ended June 30, 2013.

3. DETAILED NOTES ON ALL FUNDS (Continued)

K. Restatement

The Recreation and Capital Project funds were used by the Town in prior years. These funds are no longer being used and beginning fund balances have been restated. These funds have been merged into the general fund as follows:

<u>Fund</u>	<u>Beginning Fund Balance</u>	<u>Restatement</u>	<u>Ending Fund Balance</u>
Recreation	\$ 1,500	\$(1,500)	\$ -
Capital Projects	75,442	(75,442)	-
General Fund	808,833	76,942	885,775

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SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO
TOWN OF PERALTA
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

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.

Fire Protection Fund – authorized by 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, interest on investments and miscellaneous revenues.

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.

CAPITAL PROJECTS FUND

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.

**STATE OF NEW MEXICO
TOWN OF PERALTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue		
	Corrections	Environmental GRT	EMS
Assets			
Cash	\$ 35,214	\$ 57,563	\$ 68,499
Accounts receivable	-	1,148	-
Total assets	\$ 35,214	\$ 58,711	\$ 68,499
Liabilities and Fund Balances			
Fund balances:			
Restricted for:			
Special revenue	35,214	58,711	68,499
Capital projects	-	-	-
Total fund balances	35,214	58,711	68,499
Total liabilities and fund balances	\$ 35,214	\$ 58,711	\$ 68,499

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

Special Revenue

Fire Protection	Law Enforcement	Recreation	Total	Capital Projects	Total
\$ 69,639	\$ -	\$ -	\$ 230,915	\$ -	\$ 230,915
<u>-</u>	<u>20,000</u>	<u>-</u>	<u>21,148</u>	<u>-</u>	<u>21,148</u>
<u>\$ 69,639</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 252,063</u>	<u>\$ -</u>	<u>\$ 252,063</u>
69,639	20,000	-	252,063	-	252,063
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>69,639</u>	<u>20,000</u>	<u>-</u>	<u>252,063</u>	<u>-</u>	<u>252,063</u>
<u>\$ 69,639</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 252,063</u>	<u>\$ -</u>	<u>\$ 252,063</u>

**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, 2013**

	<u>Special Revenue</u>		
	<u>Corrections</u>	<u>Environmental GRT</u>	<u>EMS</u>
Revenues			
Taxes			
Gross receipts tax	\$ -	\$ 15,032	\$ 28,988
Intergovernmental:			
State	-	-	-
Fines and forfeitures	<u>13,278</u>	<u>-</u>	<u>-</u>
Total revenues	<u>13,278</u>	<u>15,032</u>	<u>28,988</u>
Expenditures			
Current operations:			
General government	-	524	-
Public safety	15,183	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>15,183</u>	<u>524</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,905)</u>	<u>14,508</u>	<u>28,988</u>
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,905)</u>	<u>14,508</u>	<u>28,988</u>
Fund balances, beginning of year	37,119	44,203	39,511
Restatement	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning as restated	<u>37,119</u>	<u>44,203</u>	<u>39,511</u>
Fund balances, end of year	<u>\$ 35,214</u>	<u>\$ 58,711</u>	<u>\$ 68,499</u>

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

Special Revenue

Fire Protection	Law Enforcement	Recreation	Total	Capital Projects	Total
\$ -	\$ -	\$ -	\$ 44,020	\$ -	\$ 44,020
68,885	20,000	-	88,885	-	88,885
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,278</u>	<u>-</u>	<u>13,278</u>
<u>68,885</u>	<u>20,000</u>	<u>-</u>	<u>146,183</u>	<u>-</u>	<u>146,183</u>
-	-	-	524	-	524
43,500	-	-	58,683	-	58,683
<u>12,890</u>	<u>23,540</u>	<u>-</u>	<u>36,430</u>	<u>-</u>	<u>36,430</u>
<u>56,390</u>	<u>23,540</u>	<u>-</u>	<u>95,637</u>	<u>-</u>	<u>95,637</u>
<u>12,495</u>	<u>(3,540)</u>	<u>-</u>	<u>50,546</u>	<u>-</u>	<u>50,546</u>
<u>-</u>	<u>3,358</u>	<u>-</u>	<u>3,358</u>	<u>-</u>	<u>3,358</u>
<u>-</u>	<u>3,358</u>	<u>-</u>	<u>3,358</u>	<u>-</u>	<u>3,358</u>
<u>12,495</u>	<u>(182)</u>	<u>-</u>	<u>53,904</u>	<u>-</u>	<u>53,904</u>
57,144	20,182	1,500	199,659	75,442	275,101
<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>(75,442)</u>	<u>(76,942)</u>
<u>57,144</u>	<u>20,182</u>	<u>-</u>	<u>198,159</u>	<u>-</u>	<u>198,159</u>
<u>\$ 69,639</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 252,063</u>	<u>\$ -</u>	<u>\$ 252,063</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Fines and forfeitures	\$ 16,100	\$ 18,200	\$ 13,278	\$(4,922)
Total revenues	<u>16,100</u>	<u>18,200</u>	<u>13,278</u>	<u>(4,922)</u>
Expenditures				
Current operations:				
Public safety	<u>6,100</u>	<u>18,200</u>	<u>17,563</u>	<u>637</u>
Total expenditures	<u>6,100</u>	<u>18,200</u>	<u>17,563</u>	<u>637</u>
Excess (deficiency) of revenues over expenditures	<u>10,000</u>	<u>-</u>	<u>(4,285)</u>	<u>(4,285)</u>
Net change in fund balances	<u>\$ 10,000</u>	<u>\$ -</u>	<u>(4,285)</u>	<u>\$(4,285)</u>
Beginning cash	<u>\$ 39,499</u>	<u>\$ 39,499</u>		
RECONCILIATION TO GAAP BASIS				
Change in payables			<u>2,380</u>	
Net change in fund balances GAAP basis			<u>\$(1,905)</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, 2013**

	<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	\$ 11,500	\$ 11,500	\$ 15,060	\$ 3,560
Total revenues	<u>11,500</u>	<u>11,500</u>	<u>15,060</u>	<u>3,560</u>
Expenditures				
Current operations:				
General government	<u>9,470</u>	<u>9,470</u>	<u>524</u>	<u>8,946</u>
Total expenditures	<u>9,470</u>	<u>9,470</u>	<u>524</u>	<u>8,946</u>
Excess (deficiency) of revenues over expenditures	<u>2,030</u>	<u>2,030</u>	<u>14,536</u>	<u>12,506</u>
Net change in fund balances	<u>\$ 2,030</u>	<u>\$ 2,030</u>	14,536	<u>\$ 12,506</u>
Beginning cash	<u>\$ 43,027</u>	<u>\$ 43,027</u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			(28)	
Net change in fund balances GAAP basis			<u>\$ 14,508</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, 2013**

	<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	\$ 26,000	\$ 26,000	\$ 28,988	\$ 2,988
Total revenues	<u>26,000</u>	<u>26,000</u>	<u>28,988</u>	<u>2,988</u>
Expenditures				
Current operations:				
Public safety	<u>26,000</u>	<u>26,000</u>	-	<u>26,000</u>
Total expenditures	<u>26,000</u>	<u>26,000</u>	-	<u>26,000</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>28,988</u>	<u>28,988</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,988</u>	<u>\$ 28,988</u>
Beginning cash	<u>\$ 39,511</u>	<u>\$ 39,511</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Intergovernmental:				
State	\$ 88,861	\$ 88,861	\$ 68,885	\$(19,976)
Total revenues	<u>88,861</u>	<u>88,861</u>	<u>68,885</u>	<u>(19,976)</u>
Expenditures				
Current operations:				
Public safety	121,001	121,001	43,500	77,501
Capital outlay	<u>22,000</u>	<u>22,000</u>	<u>12,890</u>	<u>9,110</u>
Total expenditures	<u>143,001</u>	<u>143,001</u>	<u>56,390</u>	<u>77,501</u>
Excess (deficiency) of revenues over expenditures	<u>(54,140)</u>	<u>(54,140)</u>	<u>12,495</u>	<u>57,525</u>
Net change in fund balances	<u><u>\$(54,140)</u></u>	<u><u>\$(54,140)</u></u>	<u><u>\$ 12,495</u></u>	<u><u>\$ 57,525</u></u>
Beginning cash	<u><u>\$ 60,423</u></u>	<u><u>\$ 60,423</u></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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Intergovernmental:				
State	\$ <u>20,000</u>	\$ <u>20,040</u>	\$ <u>20,000</u>	\$(<u>40</u>)
Total revenues	<u>20,000</u>	<u>20,040</u>	<u>20,000</u>	<u>(40)</u>
Expenditures				
Capital outlay	<u>23,500</u>	<u>23,540</u>	<u>23,540</u>	<u>-</u>
Total expenditures	<u>23,500</u>	<u>23,540</u>	<u>23,540</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,540)</u>	<u>(40)</u>
Other financing sources (uses):				
Transfers in	<u>3,318</u>	<u>3,358</u>	<u>3,358</u>	<u>-</u>
Total other financing sources (uses)	<u>3,318</u>	<u>3,358</u>	<u>3,358</u>	<u>-</u>
Net change in fund balances	<u>\$(182)</u>	<u>\$(142)</u>	<u>\$(182)</u>	<u>\$(40)</u>
Beginning cash	<u>\$ 182</u>	<u>\$ 182</u>		

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

OTHER SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2013**

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
ASSETS				
Cash	\$ 5,785	\$ -	\$(3,736)	\$ 2,049
Total assets	<u>\$ 5,785</u>	<u>\$ -</u>	<u>\$(3,736)</u>	<u>\$ 2,049</u>
LIABILITIES				
Deposits payable	\$ 5,785	\$ -	\$(3,736)	\$ 2,049
Total liabilities	<u>\$ 5,785</u>	<u>\$ -</u>	<u>\$(3,736)</u>	<u>\$ 2,049</u>

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

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

Bryan R. Olguin, Mayor
and the
Town Council
Town of Peralta
Peralta, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, 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, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue fund, of the Town of Peralta, New Mexico, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town of Peralta, New Mexico, presented as supplemental information, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2013-D.

Compliance and Other Matters

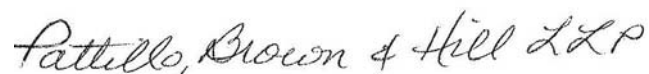
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-A, 2013-B and 2013-C.

Town of Peralta, New Mexico's Response to Findings

Town of Peralta, New Mexico's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town'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 results 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.



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
November 8, 2013

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**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

Financial Statement Findings

Prior Year

2008-A	Audit Report Due Date - Resolved
2009-C	Court Bond Account - Resolved
2012-A	Incomplete I-9s - Resolved

Current Year

2013-A	Procurement Documentation
2013-B	Deposit of Public Money
2013-C	Gas Cards and Mileage Logs
2013-D	Court Cash Drawers

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

Financial Statement Findings

2013-A

**Procurement Documentation
(compliance)**

Condition:

During testing of fixed assets and review of JPAs it was noted that the Town did not maintain the original procurement support for the following purchases and service agreements:

- A used 2005 Dodge Truck. The purchase price of the Truck was \$14,000.
- Valencia County Care of Prisoners total paid in fiscal year 2013 was \$13,580, unsigned Joint Power Agreement (JPA).
- Valencia County Animal Control total paid in fiscal year 2013 was \$12,100, unsigned JPA.
- Valencia Regional Emergency Communication Center (VRECC) total paid in fiscal year 2013 was \$21,000, unsigned JPA.

Criteria:

NMSA 13-1-155 Procurement of used items states “A central purchasing office, when procuring used items of tangible personal property the estimated cost of which exceeds five thousand dollars, shall request bids as though the items were new, adding specifications that permit used items under conditions to be outlined in the bid specifications, including but not limited to requiring a written warranty for at least ninety days after date of delivery and an independent “certification of working order” by a qualified mechanic or appraiser.” 1.4.1.51A NMAC states “no fewer than three businesses shall be solicited via written requests containing the specifications for the procurement to submit written quotations that are recorded and placed in the procurement file. If three written quotations cannot be obtained, the agency shall document the reasons and include the document in the procurement file.” NMSA 11-1-3 “If authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise any power common to the contracting parties...”

Effect:

One of the purposes of the Procurement Code is to maximize the purchasing value of public funds. Absent verification of compliance with the procurement code, the Town cannot ensure that they were able to maximize the purchasing value of public funds.

Cause:

The Town has experienced employee turnover during the fiscal year under audit. Due to this documentation for procurement was either misplaced or not maintained in the appropriate file.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

2013-A **Procurement Documentation** (continued)
(compliance)

Recommendation: The Town should document compliance with required procurement procedures and maintain the documentation with the other support for the purchase. In the case of the unsigned JPAs the procedures to secure these services from other entities and the related cost should be documented in the files along with the conclusion that these services were either sole source or emergency procurement. This requirement should be communicated to all employees involved in the procurement process.

Response: Going forward the Town will retain adequate documentation to show procurement procedures are being followed. The Town Judge and Clerk have made repeated requests to Valencia County for renewal agreements on the JPAs for the Care of Prisoners and Animal Control. The County has yet to provide the Town with the proposed renewals. The Town is currently negotiating with the Valencia Regional Emergency Communication Center (VRECC). The VRECC board is considering the proposed JPA with the Town. The Town anticipates that all JPAs for the upcoming fiscal year will be appropriately renewed.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

Financial Statement Findings

2013-B **Deposit of Public Money**
(compliance)

Condition: During the testing of cash receipts and deposits 12 collected court receipts, \$12,281 out of 25 tested, \$19,008, were held in excess of five days prior to being deposited in the Town's bank account.

Effect: The Town is in violation of 6-10-36.1 NMSA 1978 by holding deposits in excess of five business days. This could result in a loss of public funds.

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

Cause: The court clerk was open from 5:00 p.m. to 7:00 p.m. four days a week for people to pay their fines. Part of the Town's procedures for court deposits were for the Treasurer, in the company of the Court Clerk, to verify the cash count for deposit. Due to hours of operations this procedure did not occur on a timely basis. Therefore deposits were held.

Recommendation: The Town Treasurer and the Town Court Clerk should set up a regularly scheduled meeting on a specific day at a specific time to verify cash counts.

Response: The Town has implemented a policy of twice weekly deposits. The Court Clerk and the Town Treasurer now meet twice a week to review deposits and verify cash counts.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

Financial Statement Findings

2013-C **Gas Cards and Mileage Logs**
(compliance)

Condition: During the review of internal control testing for travel and per diem, it was noted that the Town does not have gas cards and mileage logs for each town vehicle.

Criteria: NMAC 1.5.3.19(B) requires that each vehicle have a gas card which is to be maintained in the vehicle. NMAC 1.5.3.11(I) requires that each vehicle maintain a mileage log.

Effect: The Town is not tracking vehicle mileage and gas usage for each vehicle as required by the New Mexico Administrative Code. As a result, mileage and fuel purchases are not being properly evaluated by the Town.

Cause: The Town was unaware of these requirements.

Recommendation: The Town should acquire gas cards for each vehicle, to be kept with that vehicle along with mileage logs. At least monthly, the Town should review the fuel purchase exception reports and compare these to the vehicle mileage logs.

Response: The Town policy was that approved employees were issued a Town credit card in their name. For each purchase of fuel on their credit card, the employee was required to note the mileage on the receipt. The Town now will be implementing vehicle gas cards for each vehicle used on a regular basis, as well as requiring mileage to be recorded in the mileage log kept in each vehicle.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

Financial Statement Findings

2013-D

**Court Cash Drawers
(significant deficiency)**

Condition:

During the documentation of internal control procedures for the court, it was noted that the cash drawers were not closed out and balanced daily.

Criteria:

NMSA 6-10-2 states “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. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day’s business.”

Effect:

As the cash drawers were not being balanced daily, the Town could not verify the balance of public money on hand at the close of each day. This could also increase the risk of theft of public funds as they were not being verified daily.

Cause:

The court was unaware of the requirement to balance cash drawers daily.

Recommendation:

The Town should establish procedures that require the cash drawers to be closed and balanced daily by the court office. The Town should also establish procedures to ensure the Treasurer receives the deposit and related information in a timely manner.

Response:

The Town has implemented a policy in the court that cash drawers will be balanced daily at the close of the business day.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

EXIT CONFERENCE

An exit conference was held on November 8, 2013 at the Town's offices. In attendance were Leon Otero, Councilor, Julie Pluemer, Clerk/Administrator, and Melissa Baxter Treasurer/Deputy Clerk from the Town of Peralta. Regina Gordon, CPA and Kate Bach, CPA were 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.P., Certified Public Accountants; however the financial statements are the responsibility of the management.