

**STATE OF NEW MEXICO
TOWN OF PERALTA
AUDIT REPORT
JUNE 30, 2014**

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INTRODUCTORY SECTION

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
Kori Taylor	Councilor
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 funds of the Town of Peralta, New Mexico (Town), as of and for the year ended June 30, 2014, 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, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2014, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town as of June 30, 2014, 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.

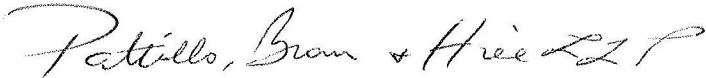
Other Information

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 24, 2014 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 and Hill, LLP
Albuquerque, New Mexico
November 24, 2014

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**STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash	\$ 1,205,315
Receivables (net of allowance for uncollectibles)	<u>232,269</u>
Total current assets	<u>1,437,584</u>
Noncurrent assets:	
Land	142,490
Construction in progress	154,928
Capital assets being depreciated, net	<u>4,855,813</u>
Total noncurrent assets	<u>5,153,231</u>
Total assets	<u>6,590,815</u>
Liabilities	
Current liabilities:	
Accounts payable	70,235
Accrued payroll expenses	<u>7,952</u>
Total current liabilities	<u>78,187</u>
Noncurrent liabilities:	
Compensated absences	<u>5,560</u>
Total noncurrent liabilities	<u>5,560</u>
Total liabilities	<u>83,747</u>
Net Position	
Net investment in capital assets	5,153,231
Restricted for:	
Capital Projects	173,009
Unrestricted	<u>1,180,828</u>
Total net position	<u>\$ 6,507,068</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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 303,985	\$ 7,075	\$ 372,937	\$ -
Public safety	392,261	30,171	88,048	-
Highways and streets	239,116	-	-	328,783
Health and welfare	-	-	-	115,717
Culture and recreation	<u>916</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 936,278</u>	<u>\$ 37,246</u>	<u>\$ 460,985</u>	<u>\$ 444,500</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

\$ 76,027
(274,042)
89,667
115,717
(916)

6,453

749,727
20,317
11,885
878

59,747

842,554

849,007

5,658,061

\$ 6,507,068

**STATE OF NEW MEXICO
TOWN OF PERALTA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Law Enforcement</u>	<u>Municipal Street</u>
Assets			
Cash	\$ 850,667	\$ 149	\$ -
Investment	-	-	-
Accounts receivable (net of allowance for uncollectible)	<u>58,756</u>	<u>20,000</u>	<u>149,923</u>
Total assets	<u>\$ 909,423</u>	<u>\$ 20,149</u>	<u>\$ 149,923</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 4,724	\$ 26,300	\$ 39,211
Accrued payroll expenses	<u>7,952</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>12,676</u>	<u>26,300</u>	<u>39,211</u>
Deferred Inflows of Resources			
Unavailable revenue - grants	<u>-</u>	<u>-</u>	<u>145,406</u>
Fund balances			
Restricted for:			
Special revenue	-	-	-
Capital projects	-	-	-
Unassigned	<u>896,747</u>	<u>(6,151)</u>	<u>(34,694)</u>
Total fund balances	<u>896,747</u>	<u>(6,151)</u>	<u>(34,694)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 909,423</u>	<u>\$ 20,149</u>	<u>\$ 149,923</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 354,499	\$ 1,205,315
-	-
<u>3,590</u>	<u>232,269</u>
<u>\$ 358,089</u>	<u>\$ 1,437,584</u>
\$ -	\$ 70,235
-	<u>7,952</u>
-	<u>78,187</u>
-	<u>145,406</u>
330,486	330,486
27,603	27,603
-	<u>855,902</u>
<u>358,089</u>	<u>1,213,991</u>
<u>\$ 358,089</u>	<u>\$ 1,437,584</u>

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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, 2014**

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

Fund Balances - Total Governmental Funds	\$ 1,213,991
Long ter liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(5,560)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental capital assets	5,928,754
Less accumulated depreciation	(775,523)
A portion of accounts receivable is not available to pay for current period expenditures and, therefore, is deferred in the funds.	145,406
Net position of governmental activities	\$ 6,507,068

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, 2014**

	<u>General Fund</u>	<u>Law Enforcement</u>	<u>Municipal Street</u>
Revenues			
Taxes:			
Gross receipts tax	\$ 665,683	\$ -	\$ 35,132
Other state shared taxes	-	-	20,317
Franchise tax	11,885	-	-
Licenses and permits	7,075	-	-
Intergovernmental:			
Federal	-	-	54,594
State	373,856	20,000	330,000
Fines and forfeitures	16,780	-	-
Interest on investments	878	-	-
Miscellaneous	59,747	-	-
	<u>1,135,904</u>	<u>20,000</u>	<u>440,043</u>
Expenditures			
Current operations:			
General government	192,126	-	-
Public safety	297,954	-	-
Highways and streets	217,907	-	-
Culture and recreation	916	-	-
Capital outlay	<u>87,871</u>	<u>65,451</u>	<u>1,023,374</u>
Total expenditures	<u>796,774</u>	<u>65,451</u>	<u>1,023,374</u>
Excess (deficiency) of revenues over expenditures	<u>339,130</u>	<u>(45,451)</u>	<u>(583,331)</u>
Other financing sources (uses):			
Transfers in	-	19,300	390,971
Transfers (out)	<u>(437,874)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(437,874)</u>	<u>19,300</u>	<u>390,971</u>
Net change in fund balances	<u>(98,744)</u>	<u>(26,151)</u>	<u>(192,360)</u>
Fund balances, beginning of year	<u>995,491</u>	<u>20,000</u>	<u>157,666</u>
Fund balances, end of year	<u>\$ 896,747</u>	<u>\$(6,151)</u>	<u>\$(34,694)</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 48,912	\$ 749,727
-	20,317
-	11,885
-	7,075
-	54,594
182,846	906,702
13,391	30,171
-	878
-	59,747
245,149	1,841,096
-	192,126
31,009	328,963
-	217,907
-	916
115,717	1,292,413
146,726	2,032,325
98,423	(191,229)
27,603	437,874
-	(437,874)
27,603	-
126,026	(191,229)
232,063	1,405,220
\$ 358,089	\$ 1,213,991

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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, 2014**

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

Net change in fund balances - total governmental funds	\$(191,229)
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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	1,292,413
	Depreciation expense	(195,280)

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 balances.	(55,811)
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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	(<u>1,086</u>)
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Change in net position of governmental activities	\$ <u><u>849,007</u></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
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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		(Negative)
Revenues				
Taxes:				
Gross receipts tax	\$ 500,000	\$ 500,000	\$ 653,630	\$ 153,630
Franchise tax	3,000	3,000	11,700	8,700
Licenses and permits	5,000	5,000	7,075	2,075
Intergovernmental:				
State	160,000	160,000	373,856	213,856
Fines and forfeitures	22,000	22,000	16,780	(5,220)
Interest on investments	-	-	878	878
Miscellaneous	<u>500</u>	<u>500</u>	<u>59,747</u>	<u>59,247</u>
Total revenues	<u>690,500</u>	<u>690,500</u>	<u>1,123,666</u>	<u>433,166</u>
Expenditures				
Current operations:				
General government	298,155	298,155	185,635	112,520
Public safety	300,000	300,000	297,954	2,046
Highways and streets	220,000	220,000	217,907	2,093
Culture and recreation	1,000	1,000	916	84
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>87,871</u>	<u>(57,871)</u>
Total expenditures	<u>849,155</u>	<u>849,155</u>	<u>790,283</u>	<u>58,872</u>
Excess (deficiency) of revenues over expenditures	<u>(158,655)</u>	<u>(158,655)</u>	<u>333,383</u>	<u>492,038</u>
Other financing sources (uses):				
Transfers (out)	<u>(440,000)</u>	<u>(440,000)</u>	<u>(437,874)</u>	<u>2,126</u>
Total other financing sources (uses)	<u>(440,000)</u>	<u>(440,000)</u>	<u>(437,874)</u>	<u>2,126</u>
Net change in fund balances	<u>\$ (598,655)</u>	<u>\$ (598,655)</u>	<u>(104,491)</u>	<u>\$ 494,164</u>
Beginning cash	<u>\$ 955,158</u>	<u>\$ 955,158</u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			12,238	
Change in payables			(4,529)	
Change in accrued payroll expenses			<u>(1,962)</u>	
Net change in fund balances GAAP basis			<u>\$ (98,744)</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
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, 2014**

	<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>20,000</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>39,300</u>	<u>39,300</u>	<u>39,151</u>	<u>149</u>
Total expenditures	<u>39,300</u>	<u>39,300</u>	<u>39,151</u>	<u>149</u>
Excess (deficiency) of revenues over expenditures	<u>(19,300)</u>	<u>(19,300)</u>	<u>(19,151)</u>	<u>149</u>
Other financing sources (uses):				
Transfers in	<u>19,300</u>	<u>19,300</u>	<u>19,300</u>	<u>-</u>
Total other financing sources (uses)	<u>19,300</u>	<u>19,300</u>	<u>19,300</u>	<u>-</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ 149	\$ <u>149</u>
Beginning cash	\$ <u>-</u>	\$ <u>-</u>		
RECONCILIATION TO GAAP BASIS				
Change in payables			<u>(26,300)</u>	
Net change in fund balances GAAP basis			<u>\$(26,151)</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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		(Negative)
Revenues				
Taxes:				
Gross receipts tax	\$ 71,087	\$ 71,087	\$ 32,252	\$(38,835)
Other state shared taxes	22,880	22,880	20,266	(2,614)
Intergovernmental:				
Federal	55,000	55,000	54,594	(406)
State	<u>330,000</u>	<u>330,000</u>	<u>330,000</u>	<u>-</u>
Total revenues	<u>478,967</u>	<u>478,967</u>	<u>437,112</u>	<u>(41,855)</u>
Expenditures				
Capital outlay	<u>1,102,217</u>	<u>1,102,217</u>	<u>984,163</u>	<u>118,054</u>
Total expenditures	<u>1,102,217</u>	<u>1,102,217</u>	<u>984,163</u>	<u>118,054</u>
Excess (deficiency) of revenues over expenditures	<u>(623,250)</u>	<u>(623,250)</u>	<u>(547,051)</u>	<u>76,199</u>
Other financing sources (uses):				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>390,971</u>	<u>90,971</u>
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>390,971</u>	<u>90,971</u>
Net change in fund balances	<u>\$(323,250)</u>	<u>\$(323,250)</u>	<u>(156,080)</u>	<u>\$ 167,170</u>
Beginning cash	<u>\$ 156,080</u>	<u>\$ 156,080</u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			(52,880)	
Change in payables			(39,211)	
Change in deferred inflows of resources			<u>55,811</u>	
Net change in fund balances GAAP basis			<u>\$(192,360)</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, 2014**

ASSETS

Cash	\$ <u>2,800</u>
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LIABILITIES

Deposits payable	\$ <u>2,800</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, 2014**

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.

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.

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 ***Law Enforcement Fund*** is 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.

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.

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.

Assets	Years
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.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for *deferred inflow of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly the item,

unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable grants. These amounts are deferred and recognized as an inflow of resources in the period that the amount become available.

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.

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.

New Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The Town has adopted GASB 65 for the year ending June 30, 2014.

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, 2014, 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, 2014, 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	\$ 3,245	\$ -	\$ 445	\$ 2,800
Fire Fund	2,009	2,008	-	4,017
Wells Fargo				
Operating	493,701	1,879	24,113	471,467
Savings	246,129	-	-	246,129
CD	250,464	-	-	250,464
First American Bank				
Checking	<u>218,764</u>	<u>-</u>	<u>-</u>	<u>218,764</u>
Total Cash in Banks	<u>\$ 1,214,312</u>	<u>\$ 3,887</u>	<u>\$ 24,558</u>	1,193,641
Petty Cash				<u>500</u>
Total Cash in Books				<u>\$ 1,194,141</u>
As Reported in Financial Statements:				
Cash				\$ 1,205,315
Agency fund				<u>2,800</u>
				<u>\$ 1,208,115</u>

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.

A. Pledged Collateral

	First American	USBank	Wells Fargo	Total
Amount on Deposit in Bank	\$ 218,764	\$ 5,254	\$ 990,294	\$ 1,214,312
FDIC Coverage	(218,764)	(5,254)	(250,000)	(474,018)
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>740,294</u>	<u>740,294</u>
Collateral pledged:				
Wells Fargo				
FNMA, 12/01/40, CUSIP 3138A2BQ1	-	-	17,243	17,243
FNMA, 02/01/43, CUSIP 3138MSC56	-	-	471,124	471,124
FNMS, 05/01/43, CUSIP 3138WQA28	<u>-</u>	<u>-</u>	<u>23,407</u>	<u>23,407</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the Town's name	<u>-</u>	<u>-</u>	<u>511,774</u>	<u>511,774</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,520</u>	<u>\$ 228,520</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ -	\$ 370,147	\$ 370,147
Pledged collateral	<u>-</u>	<u>-</u>	<u>511,774</u>	<u>511,774</u>
Over (under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,627</u>	<u>\$ 141,627</u>

B. 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, 2014 \$228,520 of the Town's bank balance of \$1,214,312 was exposed to custodial credit risk.

C. Receivables

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

	<u>General Fund</u>	<u>Law Enforcement Fund</u>	<u>Municipal Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
Gross receipts taxes	\$ 58,756	\$ -	\$ 4,100	\$ 1,439	\$ 64,295
State shared taxes	-		417	-	417
Intergovernmental	<u>-</u>	<u>20,000</u>	<u>145,406</u>	<u>2,151</u>	<u>167,557</u>
Gross receivables	58,756	20,000	149,923	3,590	232,269
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 58,756</u>	<u>\$ 20,000</u>	<u>\$ 149,923</u>	<u>\$ 3,590</u>	<u>\$ 232,269</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 142,490	\$ -	\$ -	\$ -	\$ 142,490
Construction in Progress	<u>58,604</u>	<u>154,928</u>	<u>-</u>	<u>(58,604)</u>	<u>154,928</u>
Total capital assets not being depreciated	<u>201,094</u>	<u>154,928</u>	<u>-</u>	<u>(58,604)</u>	<u>297,418</u>
Capital assets, being depreciated:					
Infrastructure	3,092,628	984,163	-	58,604	4,135,395
Building	741,083	9,371	-	-	750,454
Equipment	99,855	-	-	-	99,855
Vehicles	<u>501,681</u>	<u>143,951</u>	<u>-</u>	<u>-</u>	<u>645,632</u>
Total capital assets being depreciated	<u>4,435,247</u>	<u>1,137,485</u>	<u>-</u>	<u>58,604</u>	<u>5,631,336</u>
Less accumulated depreciation:					
Infrastructure	(376,698)	(110,723)	-	-	(487,421)
Building	(72,084)	(18,931)	-	-	(91,015)
Equipment	(23,483)	(11,282)	-	-	(34,765)
Vehicles	<u>(107,978)</u>	<u>(54,344)</u>	<u>-</u>	<u>-</u>	<u>(162,322)</u>
Total accumulated depreciation	<u>(580,243)</u>	<u>(195,280)</u>	<u>-</u>	<u>-</u>	<u>(775,523)</u>
Total capital assets being depreciated, net	<u>3,855,004</u>	<u>942,205</u>	<u>-</u>	<u>58,604</u>	<u>4,855,813</u>
Governmental activities capital assets, net	<u>\$ 4,056,098</u>	<u>\$ 1,097,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,153,231</u>

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

Governmental Activities:

General government	\$ 110,773
Public Works	21,209
Public safety	<u>63,298</u>
Total depreciation expense - Governmental Activities:	<u>\$ 195,280</u>

E. 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, 2014 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:		
Law Enforcement	\$ 19,300	\$ 19,300
Municipal Street	390,971	390,971
Nonmajor	<u>27,603</u>	<u>27,603</u>
Total transfers out	437,874	437,874
Less transfers in	<u>437,874</u>	<u>437,874</u>
Net transfers	<u>\$ -</u>	<u>\$ -</u>

F. Short Term Debt

The Town does not have any short-term debt.

G. Long Term Debt

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities					
Compensated absences	\$ <u>4,474</u>	\$ <u>5,480</u>	\$ <u>4,394</u>	\$ <u>5,560</u>	\$ <u>-</u>
Governmental activities-					
long-term liabilities	\$ <u>4,474</u>	\$ <u>5,480</u>	\$ <u>4,394</u>	\$ <u>5,560</u>	\$ <u>-</u>

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

H. 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.

I. 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, 2013 through June 30, 2014. 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 \$187,339 to the Village of Bosque Farms under this joint powers agreement for the year ended June 30, 2014.

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 \$28,897 to the County for the year ended June 30, 2014.

J. Deficit Fund Balance

The following funds had deficit fund balances at June 30, 2014:

Special Revenue Funds	
Law Enforcement Fund	\$ 6,151
Municipal Street Fund	34,694

The deficits will be eliminated by monitoring budgets and spending in the future.

K. Capital Outlay Appropriations

The Town's capital outlay appropriations are as follows:

<u>Capital Project</u>	<u>Project Appropriations</u>	<u>Expenditures to Date</u>	<u>Unexpended Balance</u>	<u>Appropriation Period</u>
Wastewater System Improvements	\$ 250,000	\$ -	\$ 250,000	10/13 to 6/17
Bosque Farms-Peralta Wastewater System	<u>250,000</u>	<u>115,750</u>	<u>134,250</u>	11/12 to 6/16
Total	<u>\$ 500,000</u>	<u>\$ 115,750</u>	<u>\$ 384,250</u>	

The term of the grants are contingent upon sufficient state appropriations and may be reverted prior to the expiration dates.

SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO
TOWN OF PERALTA
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

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.

CAPITAL PROJECTS FUND

Capital Projects Fund – authorized by the Laws of 2012, Chapter 64, Section 11, Paragraph 54, is to be used to plan, design and construct the Bosque Farms-Peralta wastewater system.

**STATE OF NEW MEXICO
TOWN OF PERALTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue		
	Corrections	Environmental GRT	EMS
Assets			
Cash	\$ 40,050	\$ 73,683	\$ 101,000
Accounts receivable	-	1,439	-
Total assets	\$ 40,050	\$ 75,122	\$ 101,000
Liabilities and Fund Balances			
Fund balances			
Restricted for:			
Special revenue	40,050	75,122	101,000
Capital projects	-	-	-
Total fund balances	40,050	75,122	101,000
Total liabilities and fund balances	\$ 40,050	\$ 75,122	\$ 101,000

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

Special Revenue

<u>Fire Protection</u>	<u>Total</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 114,314	\$ 329,047	\$ 25,452	\$ 354,499
<u>-</u>	<u>1,439</u>	<u>2,151</u>	<u>3,590</u>
\$ <u>114,314</u>	\$ <u>330,486</u>	\$ <u>27,603</u>	\$ <u>358,089</u>
114,314	330,486	-	330,486
<u>-</u>	<u>-</u>	<u>27,603</u>	<u>27,603</u>
<u>114,314</u>	<u>330,486</u>	<u>27,603</u>	<u>358,089</u>
\$ <u>114,314</u>	\$ <u>330,486</u>	\$ <u>27,603</u>	\$ <u>358,089</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, 2014**

	<u>Special Revenue</u>		
	<u>Corrections</u>	<u>Environmental GRT</u>	<u>EMS</u>
Revenues			
Taxes			
Gross receipts tax	\$ -	\$ 16,411	\$ 32,501
Intergovernmental:			
State	-	-	-
Fines and forfeitures	<u>13,391</u>	<u>-</u>	<u>-</u>
Total revenues	<u>13,391</u>	<u>16,411</u>	<u>32,501</u>
Expenditures			
Current operations:			
Public safety	8,555	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>8,555</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>4,836</u>	<u>16,411</u>	<u>32,501</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	4,836	16,411	32,501
Fund balances, beginning of year	<u>35,214</u>	<u>58,711</u>	<u>68,499</u>
Fund balances, end of year	<u>\$ 40,050</u>	<u>\$ 75,122</u>	<u>\$ 101,000</u>

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

Special Revenue

Fire Protection	Total	Capital Projects	Total
\$ -	\$ 48,912	\$ -	\$ 48,912
67,129	67,129	115,717	182,846
-	13,391	-	13,391
<u>67,129</u>	<u>129,432</u>	<u>115,717</u>	<u>245,149</u>
22,454	31,009	-	31,009
-	-	115,717	115,717
<u>22,454</u>	<u>31,009</u>	<u>115,717</u>	<u>146,726</u>
<u>44,675</u>	<u>98,423</u>	<u>-</u>	<u>98,423</u>
-	-	27,603	27,603
-	-	27,603	27,603
44,675	98,423	27,603	126,026
<u>69,639</u>	<u>232,063</u>	<u>-</u>	<u>232,063</u>
<u>\$ 114,314</u>	<u>\$ 330,486</u>	<u>\$ 27,603</u>	<u>\$ 358,089</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, 2014**

	<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	\$ <u>14,200</u>	\$ <u>14,200</u>	\$ <u>13,391</u>	\$(<u>809</u>)
Total revenues	<u>14,200</u>	<u>14,200</u>	<u>13,391</u>	<u>(809)</u>
Expenditures				
Current operations:				
Public safety	<u>22,200</u>	<u>22,200</u>	<u>8,555</u>	<u>13,645</u>
Total expenditures	<u>22,200</u>	<u>22,200</u>	<u>8,555</u>	<u>13,645</u>
Net change in fund balances	<u>\$(8,000)</u>	<u>\$(8,000)</u>	<u>\$ 4,836</u>	<u>\$ 12,836</u>
Beginning cash	<u>\$ 35,214</u>	<u>\$ 35,214</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, 2014**

	<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	\$ 16,120	\$ 4,620
Total revenues	<u>11,500</u>	<u>11,500</u>	<u>16,120</u>	<u>4,620</u>
Expenditures				
Current operations:				
General government	<u>11,500</u>	<u>11,500</u>	<u>-</u>	<u>11,500</u>
Total expenditures	<u>11,500</u>	<u>11,500</u>	<u>-</u>	<u>11,500</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	16,120	<u>\$ 16,120</u>
Beginning cash	<u>\$ 57,563</u>	<u>\$ 57,563</u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			<u>291</u>	
Net change in fund balances GAAP basis			<u>\$ 16,411</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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u> </u>
Revenues				
Taxes:				
Gross receipts tax	\$ 26,000	\$ 26,000	\$ 32,501	\$ 6,501
Total revenues	<u>26,000</u>	<u>26,000</u>	<u>32,501</u>	<u>6,501</u>
Net change in fund balances	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 32,501</u>	<u>\$ 6,501</u>
Beginning cash	<u>\$ 68,499</u>	<u>\$ 68,499</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental:				
State	\$ <u>67,129</u>	\$ <u>67,129</u>	\$ <u>67,129</u>	\$ <u>-</u>
Total revenues	<u>67,129</u>	<u>67,129</u>	<u>67,129</u>	<u>-</u>
Expenditures				
Current operations:				
Public safety	<u>133,765</u>	<u>133,765</u>	<u>22,454</u>	<u>111,311</u>
Total expenditures	<u>133,765</u>	<u>133,765</u>	<u>22,454</u>	<u>111,311</u>
Net change in fund balances	<u><u>\$ (66,636)</u></u>	<u><u>\$ (66,636)</u></u>	<u><u>\$ 44,675</u></u>	<u><u>\$ 111,311</u></u>
Beginning cash	<u><u>\$ 69,639</u></u>	<u><u>\$ 69,639</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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Intergovernmental	\$ <u>500,000</u>	\$ <u>500,000</u>	\$ <u>113,566</u>	\$(<u>386,434</u>)
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>113,566</u>	<u>(386,434)</u>
Expenditures				
Capital outlay	<u>500,000</u>	<u>500,000</u>	<u>115,717</u>	<u>384,283</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(2,151)</u>	<u>(2,151)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>27,603</u>	<u>27,603</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>27,603</u>	<u>27,603</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ 25,452	\$(<u>2,151</u>)
Beginning cash	\$ <u>-</u>	\$ <u>-</u>		
RECONCILIATION TO GAAP BASIS				
Change in receivables			<u>2,151</u>	
Net change in fund balances GAAP basis			<u>\$ 27,603</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, 2014**

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS				
Cash	\$ 2,049	\$ -	\$ 751	\$ 2,800
Total assets	\$ 2,049	\$ -	\$ 751	\$ 2,800
LIABILITIES				
Deposits payable	\$ 2,049	\$ -	\$ 751	\$ 2,800
Total liabilities	\$ 2,049	\$ -	\$ 751	\$ 2,800

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 funds, of the Town of Peralta, New Mexico (Town), as of and for the year ended June 30, 2014, 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 24, 2014.

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. 2013-002, 2014-001, 2014-002 and 2014-005.

Compliance and Other Matters

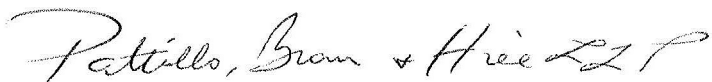
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2013-001, 2014-003 and 2014-004.

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 24, 2014

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**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

Financial Statement Findings

Prior Year

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

Current Year

2013-001	(2013-B) Deposit of Public Money
2013-002	(2013-D) Court Cash Drawers
2014-001	Bank Reconciliations
2014-002	Segregation of Duties
2014-003	Budgeted Deficit in Excess of Cash
2014-004	Late Contracting for Audit Services
2014-005	Preparation of Financial Statements

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2013-001 **(2013-B) Deposit of Public Money**
(compliance)

Condition: During the testing of cash receipts and deposits six deposits of \$3,362 were held in excess of five days prior to being deposited in the Town's bank account. Twenty five deposits, \$8,864, were tested. Of the six deposits, five deposits were correction fees of \$2,767.

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 cash drawer for the Town Court are not being balanced and closed daily.

Recommendation: The Town Court Clerk should make sure that cash drawers are balanced and closed daily, a deposit slip prepared and the deposit made within five days.

Response: The Town is now balancing and closing the court cash drawers daily and all monies receipted are deposited daily.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2013-002 **(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: Due to staff turnover in the Court, the Court Clerk was unaware of the need to balance and close the 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 Court is now closing and balancing the cash drawers on a daily basis. The Treasurer will review and sign off the daily balancing reports.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2014-001

Bank Reconciliations
(significant deficiency)

Condition:

During the review of the cash accounts, it was noted that reconciliations were not prepared on a timely basis. One bank account was not reconciled until requested by the auditor.

Criteria:

NMSA 6-10-2 (A) 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:

The Town is not properly safe guarding public funds by having an accurate cash reconciliation prepared each month. This makes it possible that transactions are not being recorded or are not being recorded on a timely basis.

Cause:

Bank reconciliations were not done on a timely basis due to employee turnover.

Recommendation:

The Town should establish and implement procedures to ensure general ledger cash balances are regularly reconciled to corresponding bank balances. Multiple employees should be cross trained in these procedures to ensure that upon employee turnover, these procedures are maintained.

Response:

The Treasurer is now required to present the reconciled statements and reconciliation reports to the Mayor and Council for final review at each council meeting. These reports will be initialed by the Mayor.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2014-002

Segregation of Duties
(significant deficiency)

Condition:

During the documentation of internal control procedures it was noted that the Treasurer has been assigned the responsibility of performing all functions related to the collection and reconciliation of public money.

Criteria:

Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structured using a combination of controls designed to either detect instances of error or fraud that occur, or optimally, to prevent instances of error or fraud before they occur (AU 325). Section 6-5-2, NMSA 1978, requires that the Town implement internal controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Effect:

Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of errors that may not be detected timely.

Cause:

This occurred due to employee turnover and limited office staff.

Recommendation:

The Town should establish and document procedures that allow for the proper segregation of duties related to the collection and reconciliation of public money. An example of those procedures might include a division of duties between the individual making the deposit and the individual reconciling the bank accounts.

Response:

Any money that is received will be receipted by the receptionist or Town Clerk prior to being given to the Treasurer for deposit and recording in the general ledger. Bank statements will be opened, reviewed and initialed by the Town Clerk. The bank statements will then be given to the Treasurer for reconciliation.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2014-003

**Budgeted Deficit in Excess of Cash
(compliance)**

Condition:

In the Municipal Street fund, the approved budget included a deficit that exceeded the beginning cash balances. The budget deficit in excess of beginning cash was \$167,170.

Criteria:

The New Mexico State Statute, Section 6-6-11 NMSA 1978, states “it is unlawful for any municipal governing body for any purpose to become indebted or contract any debts of any kind or nature whatsoever during any current year which, at the end of such current year, is not and cannot be paid out of the money actually collected and belonging to that current year.”

Effect:

The Town’s budgeted deficit in excess of beginning cash balances in the Municipal Street fund are in violation of state statutes and increase the likelihood of overspending.

Cause:

The Town inadvertently budgeted expenditures in excess of revenues and beginning cash balances.

Recommendation:

The Town should review available cash balances when preparing their budgets to ensure funds are available when expenditures are budgeted in excess of revenues.

Response:

The Town will work with DFA to ensure that budgets in the future are not in excess of available cash balances.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2014-004 **Late Contracting for Audit Services**
(compliance)

Condition: The Town’s audit contract was not prepared and approved by council until June 17, 2014. The audit contract was approved by the state auditor on July 11, 2014.

Criteria: NMAC, 2.2.2.8 (G) (6) (c) states “the agency shall deliver the fully completed and signed IPA Recommendation Form for Audits and the completed audit contract to the State Auditor by May 15.”

Effect: The Town is in violation of State Statutes for contracting and conducting an audit. This could impact the timely filing of the audit report with the State Auditor by December 1st.

Cause: The Town experienced employee turnover during the year, which impacted timely contracting procedures.

Recommendation: The Town should ensure timely contracting for audit services during times of employee turnover by making it the responsibility of more than one employee to verify that contracting provisions are being complied with.

Response: Multiple members of staff will be made aware of the contract due date for the audit, thus ensuring that the contract will be completed in a timely manner.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2014-005 **Preparation of Financial Statements**
(significant deficiency)

Condition: Journal entries were required after the accounting records were closed for the year ended June 30, 2014. After the books were closed and a final trial balance was obtained, eight journal entries were needed to reconcile Town accounts to subsidiary ledgers. Entries in the amount of \$22,528 were required to remove voided checks from the cash accounts. Additional entries were also required to adjust CC payables to statements and adjust the bond liability account to the bond cash account.

Criteria: An accounting system should provide timely and accurate information for management. To achieve this, accounting personnel must periodically reconcile general ledger accounts to sub-ledgers and other supporting documents.

Effect: Financial information provided to management may not be accurate. Also, the probability that errors will occur and go undetected is greatly increased.

Cause: Due to the transition of treasurers, the voided checks were not resolved by the outgoing treasurer on a timely basis. The new treasurer was required to spend time to research these outstanding items.

Recommendation: The Town should implement internal control procedures that require balance sheet accounts to be reconciled to subsidiary ledgers or other documents and any known voided checks should be removed from the books prior to year end.

Response: The Town has established policies that will require voided checks to be dealt with in a timely manner and accounts to be reconciled to subsidiary ledgers monthly. The Treasurer and the Court Clerk will also do a monthly reconciliation between court records and the general ledger.

**STATE OF NEW MEXICO
TOWN OF PERALTA
EXIT CONFERENCE
JUNE 30, 2014**

EXIT CONFERENCE

An exit conference was held on November 24, 2014 at the Town's offices. In attendance were Leon Otero, Councilor, Kori Taylor, Councilor, Julie Pluemer, Clerk/Administrator, and Melissa Baxter Treasurer/Deputy 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.P., Certified Public Accountants; however the financial statements are the responsibility of the management.