

STATE OF NEW MEXICO

**TOWN OF PERALTA
ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2017

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TOWN OF PERALTA
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STATE OF NEW MEXICO
TOWN OF PERALTA
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JUNE 30, 2017

OFFICIAL ROSTER

Mayor and Councilmen

Name

Bryan R. Olguin
Joseph K. Romero
Michael Leon Otero
Claudio Moya, Jr.
Randy Smith
Tracy Aragon

Title

Mayor
Councilor
Mayor Pro-Tem
Councilor
Councilor
Municipal Judge

Administrative Officials

Julie Pluemer
Steve Robbins

Clerk/Administrator
Treasurer/Deputy Clerk



INDEPENDENT AUDITORS' REPORT

To Wayne A. Johnson
New Mexico State Auditor

The Town of Peralta Council
Town of Peralta

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Town of Peralta (the "Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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, the business type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedule of the Town's Proportionate Share of the Net Pension Liability, and Schedule of Town Contributions* on pages 45-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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 other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in related 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 December 11, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Patillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
December 11, 2017

BASIC FINANCIAL STATEMENT

STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 2,664,758	1,334,987	3,999,745
Accounts receivable	121,913	53,249	175,162
Interest receivable	-	8,209	8,209
Current notes receivable	-	50,479	50,479
Total current assets	<u>2,786,671</u>	<u>1,446,924</u>	<u>4,233,595</u>
Notes receivables	-	151,435	151,435
Capital assets, net of accumulated depreciation	5,386,788	4,196,354	9,583,142
Total assets	<u>8,173,459</u>	<u>5,794,713</u>	<u>13,968,172</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	59,339	-	59,339
Total deferred outflows of resources	<u>59,339</u>	<u>-</u>	<u>59,339</u>
Total assets and deferred outflows	<u>\$ 8,232,798</u>	<u>5,794,713</u>	<u>14,027,511</u>
LIABILITIES			
Accounts payable	63,818	199,520	263,338
Accrued payroll liabilities	8,861	1,280	10,141
Current portion of debt	-	86,095	86,095
Interest payable	-	59,804	59,804
Compensated absences due within one year	3,105	-	3,105
Total current liabilities	<u>75,784</u>	<u>346,699</u>	<u>422,483</u>
Due within more than one year			
Debt	-	2,569,438	2,569,438
Compensated absences	9,521	-	9,521
Net pension liability	62,309	-	62,309
Total long term liabilities	<u>71,830</u>	<u>2,569,438</u>	<u>2,641,268</u>
Total liabilities	<u>147,614</u>	<u>2,916,137</u>	<u>3,063,751</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	618	-	618
Total deferred inflows of resources	<u>618</u>	<u>-</u>	<u>618</u>
NET POSITION			
Net investment in capital assets	5,374,162	1,692,256	7,066,418
Restricted for:			
Public safety	466,388	-	466,388
Public works	333,963	-	333,963
Unrestricted	1,910,053	1,186,320	3,096,373
Total net position	<u>8,084,566</u>	<u>2,878,576</u>	<u>10,963,142</u>
	<u>\$ 8,232,798</u>	<u>5,794,713</u>	<u>14,027,511</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 235,102	8,770	177,830	(48,502)	-	(48,502)
Public safety	512,830	33,257	378,833	(100,740)	-	(100,740)
Public works	155,741	-	-	(155,741)	-	(155,741)
Culture and recreation	633	-	-	(633)	-	(633)
Health and welfare	76,795	-	-	(76,795)	-	(76,795)
Total governmental activities	1,139,916	42,027	556,663	(541,226)	-	(541,226)
Business-type activities:						
Sewer	63,611	497,365	-	-	433,754	433,754
Total business-type activities	63,611	497,365	-	-	433,754	433,754
Total primary government	\$ 1,203,527	539,392	556,663	(541,226)	433,754	(107,472)
General Revenues:						
Taxes:						
Property				7,392	179,100	186,492
Franchise				75,728	-	75,728
GRT				733,823	-	733,823
Gas				5,937	-	5,937
MVD				16,826	-	16,826
Intergovernmental				-	32,138	32,138
Miscellaneous				23,891	-	23,891
Investment Earnings				2,770	-	2,770
Total general revenues				866,367	211,238	1,077,605
Transfers				(147,662)	147,662	-
Change in net position				177,479	715,285	892,764
Beginning net position				7,907,087	2,163,291	10,070,378
Ending net position				\$ 8,084,566	2,878,576	10,963,142

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Fire Protection Fund	Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,818,734	343,254	370,163	132,607	2,664,758
Accounts receivable	<u>111,490</u>	<u>-</u>	<u>8,285</u>	<u>2,138</u>	<u>121,913</u>
Total assets	<u>\$ 1,930,224</u>	<u>343,254</u>	<u>378,448</u>	<u>134,745</u>	<u>2,786,671</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 7,722	-	56,096	-	63,818
Accrued payroll liabilities	<u>8,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,861</u>
Total liabilities	<u>16,583</u>	<u>-</u>	<u>56,096</u>	<u>-</u>	<u>72,679</u>
DEFERRED INFLOWS					
Property taxes	<u>12,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,450</u>
Total deferred inflows	<u>12,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,450</u>
Fund Balance:					
Restricted for:					
Public safety	-	343,254	-	123,134	466,388
Public works	-	-	322,352	11,611	333,963
Unassigned:	<u>1,901,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,901,191</u>
Total fund balance	<u>1,901,191</u>	<u>343,254</u>	<u>322,352</u>	<u>134,745</u>	<u>2,701,542</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,930,224</u>	<u>343,254</u>	<u>378,448</u>	<u>134,745</u>	<u>2,786,671</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2017

Fund balances - total governmental funds	\$ 2,701,542
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,386,788
Receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	12,450
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds	59,339
Defined benefit pension plan deferred inflows are not due and payable in the current period and therefore, are not reported in the funds	(618)
Long-term liabilities, including bonds payable, are not due and payable in the current period and accordingly are not reported in the funds:	
Net pension liability	(62,309)
Compensated absences	<u>(12,626)</u>
Total net position	<u>\$ 8,084,566</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Fire Protection Fund	Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ -	-	-	-	-
Franchise taxes	75,728	-	-	-	75,728
GRT Taxes	650,546	-	31,708	51,569	733,823
Gas taxes	-	-	5,937	-	5,937
MVD taxes	-	-	16,826	-	16,826
Fines and forfeitures	22,398	-	-	10,859	33,257
Licenses and permits	8,045	-	-	-	8,045
State sources	177,830	154,833	204,000	20,000	556,663
Investment earnings	2,770	-	-	-	2,770
Charges for services	725	-	-	-	725
Miscellaneous revenue	20,693	-	-	3,198	23,891
Total revenues	<u>958,735</u>	<u>154,833</u>	<u>258,471</u>	<u>85,626</u>	<u>1,457,665</u>
Expenditures:					
Current					
General government	204,312	-	-	-	204,312
Public safety	284,890	42,904	-	82,208	410,002
Public works	84,941	-	56,324	1,714	142,979
Culture and recreation	633	-	-	-	633
Health and welfare	76,795	-	-	-	76,795
Capital outlay	227,944	-	-	-	227,944
Total expenditures	<u>879,515</u>	<u>42,904</u>	<u>56,324</u>	<u>83,922</u>	<u>1,062,665</u>
Excess (deficiency) of revenues over expenditures	<u>79,220</u>	<u>111,929</u>	<u>202,147</u>	<u>1,704</u>	<u>395,000</u>
Other financing sources (uses):					
Transfers in	27,654	-	-	89,281	116,935
Transfers out	(151,173)	-	-	(113,424)	(264,597)
Total other financing sources (uses)	<u>(123,519)</u>	<u>-</u>	<u>-</u>	<u>(24,143)</u>	<u>(147,662)</u>
Net change in fund balances	<u>(44,299)</u>	<u>111,929</u>	<u>202,147</u>	<u>(22,439)</u>	<u>247,338</u>
Fund balances - beginning of year	<u>1,945,490</u>	<u>231,325</u>	<u>120,205</u>	<u>157,184</u>	<u>2,454,204</u>
Fund balances - end of year	<u>\$ 1,901,191</u>	<u>343,254</u>	<u>322,352</u>	<u>134,745</u>	<u>2,701,542</u>

See Notes to Financial Statements

**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, 2017**

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

Net change in fund balances - total governmental funds	\$ 247,338
Net pension expense	(3,588)

Governmental funds report capital outlays as expenditures, However, in the statement of activities, the cost of certain capital outlays is allocated over the estimated useful lives of the assets acquired and reported as depreciation expense. As a result, fund balance decreased by the amount of financial resources expended, whereas net position decreased by the amount of depreciation expense charged for the year:

Capital expenditures	233,304
Depreciation expense	(306,337)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Change in property taxes receivable	7,392
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Increase in accrued compensated absences	<u>(630)</u>
Change in net position of governmental activities	\$ <u><u>177,479</u></u>

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 680,500	680,500	712,425	31,925
Licenses, permits, fees & fines	23,000	23,000	30,443	7,443
Charges for services	1,000	1,000	725	(275)
Intergovernmental - state sources	180,000	180,000	177,830	(2,170)
Contributions and donations	-	-	-	-
Investment earnings	750	750	2,770	2,020
Miscellaneous	289,000	289,000	30,998	(258,002)
<i>Total revenues</i>	<u>1,174,250</u>	<u>1,174,250</u>	<u>955,191</u>	<u>(219,059)</u>
<i>Expenditures:</i>				
General government	323,654	323,654	206,010	117,644
Public safety	375,806	375,806	284,305	91,501
Public works	288,645	288,645	166,694	121,951
Culture and recreation	1,000	1,000	633	367
Health and welfare	5,000	5,000	76,680	(71,680)
Planning	16,100	16,100	6,031	10,069
Capital outlay	100,000	100,000	150,945	(50,945)
<i>Total expenditures</i>	<u>1,110,205</u>	<u>1,110,205</u>	<u>891,298</u>	<u>218,907</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>64,045</u>	<u>64,045</u>	<u>63,893</u>	<u>(152)</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	22,774	22,774
Transfers out	(93,229)	(269,000)	(61,892)	207,108
<i>Total other financing sources (uses)</i>	<u>(93,229)</u>	<u>(269,000)</u>	<u>(39,118)</u>	<u>229,882</u>
<i>Net change in fund balances</i>	<u>\$ (29,184)</u>	<u>(204,955)</u>	<u>24,775</u>	<u>229,730</u>
<i>Reconciliation to GAAP basis:</i>				
Changes in revenues			24,759	
Changes in expenses			(93,833)	
Net Change in Fund Balances (GAAP Basis)			<u>\$ (44,299)</u>	

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Intergovernmental - state sources	\$ 47,000	83,600	154,833	71,233
<i>Total revenues</i>	<u>47,000</u>	<u>83,600</u>	<u>154,833</u>	<u>71,233</u>
<i>Expenditures:</i>				
Public safety	46,265	280,000	44,514	235,486
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>46,265</u>	<u>280,000</u>	<u>44,514</u>	<u>235,486</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>735</u>	<u>(196,400)</u>	<u>110,319</u>	<u>306,719</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	\$ <u>735</u>	<u>(196,400)</u>	<u>110,319</u>	<u>306,719</u>
<i>Reconciliation to GAAP basis:</i>				
Changes in revenues			-	
Changes in expenses			<u>1,610</u>	
Net Change in Fund Balances (GAAP Basis)			\$ <u>111,929</u>	

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 46,000	46,000	54,198	8,198
Intergovernmental - state sources	139,000	274,000	204,000	(70,000)
<i>Total revenues</i>	<u>185,000</u>	<u>320,000</u>	<u>258,198</u>	<u>(61,802)</u>
<i>Expenditures:</i>				
Public works	140,000	140,000	228	139,772
<i>Total expenditures</i>	<u>140,000</u>	<u>140,000</u>	<u>228</u>	<u>139,772</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>45,000</u>	<u>180,000</u>	<u>257,970</u>	<u>77,970</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	44,000	-	(44,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>44,000</u>	<u>-</u>	<u>(44,000)</u>
<i>Net change in fund balances</i>	<u>\$ 45,000</u>	<u>224,000</u>	<u>257,970</u>	<u>33,970</u>
<i>Reconciliation to GAAP basis:</i>				
Changes in revenues			273	
Changes in expenses			<u>(56,096)</u>	
Net Change in Fund Balances (GAAP Basis)			<u>\$ 202,147</u>	

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2017

	Proprietary Fund Sewer Fund
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,334,987
Accounts receivable	53,249
Interest receivable	8,209
Current notes receivable	50,479
Total current assets	1,446,924
Noncurrent Assets	
Notes receivable:	151,435
Capital assets	4,210,135
Less accumulated depreciation	(13,781)
Total noncurrent assets	4,347,789
Total assets	5,794,713
LIABILITIES	
Current Liabilities	
Accounts payable	199,520
Salaries payable	1,280
Interest payable	59,804
Current portion of debt	86,095
Total current liabilities	346,699
Non-Current Liabilities	
Notes payable	2,569,438
Total liabilities	2,916,137
NET POSITION	
Net investment in capital assets	1,692,256
Unrestricted	1,186,320
Total net position	\$ 2,878,576

See Notes to Financial Statements.

STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2017

	Proprietary Fund Sewer Fund
Operating Revenues	
Charges for services	\$ 307,323
Miscellaneous	190,042
Total operating revenues	<u>497,365</u>
Operating Expenses	
Cost of services	41,145
Non-payroll expenses	8,685
Depreciation	13,781
Total operating expenses	<u>63,611</u>
Operation income	<u>433,754</u>
Non-Operating Revenues (Expenses)	
Intergovernmental	32,138
Interest expense	(76,620)
Property taxes	179,100
Bank Fees	(749)
Total non-operating revenue	<u>133,869</u>
Income before contributions and transfers	<u>567,623</u>
Transfers	
Transfers, in	<u>147,662</u>
Change in net position	715,285
Net position, beginning of year	<u>2,163,291</u>
Net position, end of year	<u>\$ 2,878,576</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	<u>Proprietary Fund</u> Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 443,222
Cash payments to vendors and employees	<u>52,898</u>
Net cash provided by operating activities	<u>496,120</u>
Cash Flows From Non-Capital Financing	
Intergovernmental	32,138
State grant	-
Property taxes	179,100
Bank fees	(749)
Transfers in	<u>147,662</u>
Net cash provided by non-capital financing activities	<u>358,151</u>
Cash Flows From Capital and Related	
Purchase of capital assets	(1,368,149)
Proceeds from debt	693,061
Interest payment on bonds, loans, and leases	<u>(76,620)</u>
Net cash used by capital and related financing activities	<u>(751,708)</u>
Net increase in cash and cash equivalents	102,563
Cash and restricted cash and cash equivalents, beginning of year	<u>1,232,424</u>
Cash and restricted cash and cash equivalents, end of year	<u>\$ 1,334,987</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating income	\$ 433,754
Noncash items	
Depreciation expense	13,781
Adjustments to operating income	
Accounts receivable	(32,138)
Interest receivable	(4,842)
Notes receivable	(17,163)
Accounts payable	41,644
Accrued liabilities	1,280
Interest Payable	<u>59,804</u>
Net cash provided by operating activities	<u>\$ 496,120</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
TOWN OF PERALTA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

	Balance <u>June 30, 2017</u>
ASSETS	
Cash on deposit	\$ <u>7,440</u>
<i>Total assets</i>	\$ <u><u>7,440</u></u>
LIABILITIES	
Due to bond holders	\$ <u>7,440</u>
<i>Total liabilities</i>	\$ <u><u>7,440</u></u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. NATURE OF ORGANIZATION

The Town of Peralta (“the Town”) 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 expenses.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Town is 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 governmental 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 these accounting policies are described below.

A. Financial Reporting Entity

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) criterion for including a potential component unit within the reporting entity is the government 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. The Town has no component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The reporting model focus is on either the Town as a whole or major individual fund (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Town's police and fire protection, road maintenance, culture and recreation, and administration are classified as governmental activities. The Town's utilities (sewer) are classified as business activities. In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources basis, which incorporates long term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The government-wide financial statements (i.e., the statement of position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function.

Inter-fund balances have been eliminated in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and/or delivery of goods for the funds' ongoing operation.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statement. The major enterprise fund is reported as separate columns in the fund financial statements.

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Town's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government- wide presentation.

C. Basis of Presentation - Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

The following fund types and account groups are used by the Town:

Governmental Fund Types - All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current position) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. However, they are reported as liabilities in the general long-term debt account group.

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation - Fund Accounting (Continued)

The Town reports the following major governmental funds:

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

Fire Protection Fund: This fund is authorized by State Statute Chapter 48, Section 2, Laws of 1963 and 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.

Streets Fund: This fund is used to account for revenues received from the levy of a tax per gallon of gasoline purchased within the Town's 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.

The Town reports the following major proprietary (enterprise) fund:

Sewer Fund - This fund is used to account for the provisions of water and sewer services to Town's residents.

In addition, the government reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the accumulation and disbursement of restricted resources: Municipal Street Improvements, Fire, Recreation, Police Program, Local Government Correction, Law Enforcement Protection, and Emergency Medical Services.

Agency Funds - Assets held by the Town in an agency capacity for individuals, other governmental units and/or other funds: Municipal Court Bond.

D. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

value in exchange, include gross receipts taxes, grants and appropriations. Revenue and receivables from gross receipts taxes are recognized when the underlying exchange transaction occurs. 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. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund types follow the current financial resources measurement focus and modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measureable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, and amounts collected within 60 days after year end).

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivable when the related costs are incurred. Interest earned is accrued currently by the appropriate funds. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when received and are not susceptible to accrual.

Expenditures, other than vacation, compensatory, and sick pay, are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

When both restricted and unrestricted net position is available for expenses, restricted funds are applied first.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

that time. Deferred inflows are reported in the governmental funds regarding property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

E. Budgetary Information

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

- 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 the previous year's history. Public hearings are conducting at the Town Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
- 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 any funds. The original budget that was adopted in July was amended during the fiscal year in a permissible manner.
- Formal budgetary integration is employed as a management control device during the year for each fund.
- Encumbrances are not reported in the budgets or the financial statements.
- The expenditures may not legally exceed appropriations for each budget, at the fund level. Appropriations lapse at year end.
- Budgets for the general fund, special revenue funds, and the enterprise fund 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 cash basis.

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents

Cash included amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the Town to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico State Statues require that financial institutions with public monies on deposit pledge collateral to owners of such monies in an amount not less than 50% of the public safekeeping by other financial institutions, with safekeeping receipts held by the Town. The pledged securities remain in the name of the financial institution.

G. Investments

Investments consist of certificates of deposit and are stated at fair value. The Town considers all liquid investments with a maturity of six months or less to be cash equivalents.

H. Receivables

Receivables are reported net of an allowance for uncollectible accounts, if applicable. Based upon management's estimate, all receivables are deemed fully collectible.

I. Taxes

Property Taxes: are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as a deferred inflow of resources.

Franchise Taxes: By authority of Chapter 3, Article 42, NMSA 1978 and various ordinances, the Town imposes a franchise tax on certain public utilities operating within the municipality.

Gasoline Tax: The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposed an excise tax on \$0.17 on each gallon of gasoline received in New Mexico. A portion of the total gasoline tax is distributed to various municipalities within the State pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA.

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Taxes (Continued)

Municipal Gross Receipts Tax: Under authority of Chapter 7, Articles 19 and 19D, NMSA 1978, the Town adopted gross receipts taxing through ordinance. The ordinance, provides for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Town after deducting certain administration costs.

State Gross Receipts Tax: Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. A total of 1.225% of the total collected is distributed to the municipality reporting the taxable receipts.

J. Interfund Transactions

Balances at year-end between funds are reported as "due to/from other funds" in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as "internal balances" in the government-wide financial statements.

K. Inventory

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method.

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

L. Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays exceeding \$5,000, per Section 12-6-10 NMSA 1978 that significantly extend the useful life of an asset are capitalized. In addition, furniture and equipment with lives of one year or less, and repairs and maintenance that do not extend the useful lives of premises and equipment are expensed as incurred.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives in years:

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets (Continued)

Infrastructure/Plant	25
Buildings	20
Land Improvements	20
Grinder Pumps	12
Machinery & Equipment	10
Remodel	10
Heavy Equipment	10
Vehicles	5-7

M. Compensated Absences

It is the policy of the Town to permit certain employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Town’s service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

Sick pay does not vest and is recorded as an expenditure when it is paid.

N. Long-term Debt Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs related to prepaid insurance, are deferred and amortized over the life of the bonds, using the effective interest method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

O. Fund Balance Classification

In the fund level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54), the Town classifies governmental fund balances as follows:

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balance (Continued)

- **Non-spendable**: includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- **Restricted** - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.
- **Committed**: includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (The Town of Peralta Council) and does not lapse at year-end.
- **Assigned**: includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the management.
- **Unassigned**: includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources. Any residual balances are classified using the default policy for unrestricted fund balance: committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

P. Net Position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position invested 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 its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Use of Estimates

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

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA’s. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3. CASH AND CASH EQUIVALENTS

A. Depository Collateral

According to the Federal Deposit Insurance Authority, public unit, deposits owned by the Town’s Time deposits, savings deposits, and interest bearing accounts of a public institution will be insured up to \$250,000 in the aggregate and separate from the \$250,000 for public unit demand deposits at the same institution.

As of June 30, 2017, the Town had Cash on Deposit at each financial institution:

Account Type	Wells Fargo	Southwest Capital	US Bank	Total
Checking	\$ 2,759,879	397,953	7,894	3,165,726
Savings	247,323	-	-	247,323
Investments	-	627,000	-	627,000
Total:	\$ 3,007,202	1,024,953	7,894	4,040,049
			Reconciling Items:	(33,364)
			Plus Petty Cash:	500
			Less Agency Funds:	(7,440)
			Cash per Books:	\$ 3,999,745

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

A. Depository Collateral (Continued)

The Town is required to obtain from each bank that is a depository for public funds, pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). The pledged collateral is stated at market value as of June 30, 2017.

The following schedule details the public money held by at each financial institution and the pledged collateral provided for the Town as of June 30, 2017:

	Wells Fargo	Southwest Capital	US Bank	Total
Cash on deposit	\$ 3,007,202	397,953	7,894	3,413,049
Total Cash:	3,007,202	397,953	7,894	3,413,049
Less FDIC Coverage:	(250,000)	(250,000)	(7,894)	(507,894)
Total Uninsured:	\$ 2,757,202	147,953	-	2,905,155
50% Required Pledged Collateral	\$ 1,378,601	73,977	-	1,452,578

Pledged Collateral Statements:

BY Melon

CUSIP 3136AES24 FNMA FNRM 3.00% 8/25/2042	\$ 80,074	-	-	80,074
CUSIP 31418AHJO FNMA FNMS 3.00% 8/1/2042	2,609,544	-	-	2,609,544

Total Pledged Collateral:	2,689,618	-	-	2,689,618
Total Cash (Over) Under Collateralized:	\$ (1,311,017)	73,977	-	(1,237,040)

B. Custodial Credit Risk - Deposits

Custodial Credit Risk is the risk that in the event of 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, 2017, \$147,953 of the Town's \$3,413,049 balance was exposed to custodial credit risk because it was uninsured and not collateralized.

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. INVESTMENTS

New Mexico State Statutes authorize the Town to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the U.S. Government. The Town does not have an additional investment policy that further limits its investments. State statute also authorizes the Town to invest in bonds or negotiable securities of the U. S., the State of New Mexico, or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding. The Town does not have an additional investment policy that further limits its investments. At June 30, 2017, the Town of Peralta had long-term investments with Southwest Capital Bank of \$627,000 respectively. The \$627,000 in investments approximates the fair value.

Custodial Credit Risk – In the case of investments, this is the risk that in the event of a market failure, the County's investments may not be returned to them. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$627,000 of the Town's investment balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality Risk – State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Town has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. A total of 100% of the investment balance is held at Southwest Capital Bank.

GASB Statement No. 72 requires investment to be presented at fair value. This statement provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. INVESTMENTS (CONTINUED)

Basis of Fair Value Measurement

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Town's assets had a fair value as of June 30, 2017:

Investment Assets at Fair Value as of June 30, 2017				
	Level 1	Level 2	Level 3	Total
Investment in Southwest Capital Bank	\$ 627,000	-	-	627,000
Total Assets at fair value	\$ 627,000	-	-	627,000

The Town utilized the market approach to value its investments. GASB Statement No. 72 defines the market approach as using market prices and other information obtained from market transactions with similar or identical assets or liabilities.

NOTE 5. ACCOUNTS RECEIVABLES

As of June 30, 2017, management deemed all accounts receivable balances to be fully collectible. Receivables as of June 30, 2017 consisted of the following:

	Governmental Funds	Enterprise Fund	Total
Accounts Receivables:			
Property taxes	\$ 18,793	-	18,793
MVD taxes	3,174	-	3,174
GRT taxes	93,080	-	93,080
Gas taxes	834	-	834
Grants	-	53,249	53,249
Other	6,032	-	6,032
Total Accounts Receivables:	\$ 121,913	53,249	175,162

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. ACCOUNTS RECEIVABLES (CONTINUED)

In the January 2016 the Town began offering water and sewer services to the citizens of the Town. In order to receive water and sewer services, the citizens must purchase a grinder pump. The single grinder pumps cost \$3,500 and the double grinder pumps cost \$4,500. Citizens have the option to finance the purchase over 24 months, 36 months, or 48 months. A total 20% of the cost must be put down. The Town charges 1% interest for the 24 month option, 1.5% interest for 36 months, and 2% interest for 48 months. As of June 30, 2017 the notes receivable balance was \$201,914 and an interest receivable of \$8,209.

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets follows:

<i>Governmental Activities:</i>	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 142,490	130,000	-	272,490
Construction in Progress	-	3,249	-	3,249
Total capital assets not being depreciated	142,490	133,249	-	275,739
Capital assets being depreciated				
Land improvements	10,781	-	-	10,781
Building and improvements	890,449	-	-	890,449
Infrastructure	4,710,673	-	-	4,710,673
Equipment	532,018	100,055	-	632,073
Vehicles	951,449	-	-	951,449
Total capital assets being depreciated	7,095,370	100,055	-	7,195,425
Total capital assets	7,237,860	233,304	-	7,471,164
Less accumulated depreciation	(1,778,039)	(306,337)	-	(2,084,376)
Total capital assets being depreciated, net	5,317,331	(206,282)	-	5,111,049
Governmental activities capital assets, net	\$ 5,459,821	(73,033)	-	5,386,788

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

Governmental Activities:	
General government	\$ 26,572
Public safety	102,828
Public works	12,762
Capital Outlay	164,175
	<u>\$ 306,337</u>

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. CAPITAL ASSETS (Continued)

<i>Business-Type Activities:</i>	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated				
Construction in process	\$ 2,841,986	75,660	(2,841,986)	75,660
Total capital assets not being depreciated	<u>2,841,986</u>	<u>75,660</u>	<u>(2,841,986)</u>	<u>75,660</u>
Capital assets being depreciated				
Infrastructure	-	4,134,475	-	4,134,475
Total capital assets being depreciated	<u>-</u>	<u>4,134,475</u>	<u>-</u>	<u>4,134,475</u>
Total capital assets	<u>2,841,986</u>	<u>4,333,995</u>	<u>(2,841,986)</u>	<u>4,333,995</u>
Less: accumulated depreciation	-	(13,781)	-	(13,781)
Total capital assets being depreciated, net	-	4,120,694	-	4,120,694
Business-Type activities capital assets, net	<u>\$ 2,841,986</u>	<u>4,196,354</u>	<u>(2,841,986)</u>	<u>4,196,354</u>

NOTE 7. LONG TERM LIABILITIES

On August 18, 2014 the Town entered into a loan agreement with the New Mexico State Department of Transportation. The loan was used to fund low pressure sewer lines under the NM 47 project. The total loan amount was for \$883,000, with an interest rate of 1.00%. The Town did not begin drawing down on the loan until August 18, 2016. The Town drew down the full \$883,000 by June 30, 2016. The loan will be repaid over 10 years.

On July 2, 2014 the Town entered into a loan agreement for \$2,000,000 with the New Mexico Environment Department. The loan was obtained to fund the construction of sewer collection system within the Town. A total of \$1,942,175 was drawn down as of June 30, 2017. The Town is required to begin making payment within one year following the final draw down. The loan has a 2.375% interest rate and will be paid over a 20 year time frame.

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. LONG TERM LIABILITIES (Continued)

The Town's principal and interest requirements to retire the long-term obligations are as follows

SIB Loan

Fiscal Year Ending June 30,	Principal	Interest
2018	\$ 86,095	7,134
2019	86,956	6,273
2020	87,826	5,403
2021	88,704	4,525
2022	89,591	3,677
2023-2026	274,185	5,502
Total	<u>\$ 713,358</u>	<u>32,473</u>

RIP Loan

Fiscal Year Ending June 30,	Principal	Interest
2018	\$ -	-
2019	79,284	47,500
2020	81,167	45,617
2021	83,095	43,689
2022	85,069	41,716
2023	87,089	39,695
2024-2028	467,470	166,451
2029-2033	525,682	108,239
2034-2038	591,144	42,778
Total	<u>\$ 2,000,000</u>	<u>535,686</u>

The changes to long-term debt are as follows:

	Interest Rate	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Business-type Activities:						
<i>Sewer Fund:</i>						
SIB Loan	1.000%	\$ 883,000	-	(169,642)	713,358	86,095
RIP Loan	2.375%	1,079,472	862,703	-	1,942,175	-
Total Sewer Fund		<u>\$ 1,962,472</u>	<u>862,703</u>	<u>(169,642)</u>	<u>2,655,533</u>	<u>86,095</u>
Governmental Activities:						
Compensated Absences	N/A	\$ 11,995	7,905	(7,274)	12,626	3,105
Total Governmental Activities		<u>\$ 11,995</u>	<u>7,905</u>	<u>(7,274)</u>	<u>12,626</u>	<u>3,105</u>
Grand Total Long-term Debt		<u>\$ 1,974,467</u>	<u>870,608</u>	<u>(176,916)</u>	<u>2,668,159</u>	<u>89,200</u>

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. TRANSFERS

The composition of interfund transfers for the year are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 27,654	151,173
Environmental GRT Fund	89,281	113,424
Enterprise Fund:		
Sewer	147,662	-
Total	<u>\$ 264,597</u>	<u>264,597</u>

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT

Plan description

The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided

Benefits are generally available at age 65 with five or Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – See PERA's compressive annual financial report for Contribution provided description

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town of Peralta reported a liability of \$62,309 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Town of Peralta’s proportion of the net pension liability was based on a projection of the Town of Peralta’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Town of Peralta’s proportion was 0.0039%, which was a decrease of 0.0039% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town of Peralta recognized pension expense of \$13,881. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,113	\$ 608
Changes in assumptions	3,654	10
Net difference between projected and actual earnings on pension plan investments	11,465	-
Changes in proportion and differences between Town’s contributions and proportionate share of contributions	30,814	-
Town’s contributions subsequent to the measurement date	<u>10,293</u>	<u>-</u>
Total	<u>\$ 59,339</u>	<u>\$ 618</u>

\$10,293 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	(13,813)
2019	(13,813)
2020	(17,003)
2021	(3,799)
Thereafter	-

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level of percentage pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.48 annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years 2.75% all other years
Mortality assumption	RP-2000 Mortality tables (Combined table for healthy post-retirement, Employee table for active member, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are:

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50 %	7.39 %
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00 %	

Discount rate

A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Town of Peralta’s proportionate share of the net pension liability to changes in the discount rate

The following presents the Town of Peralta’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the Town of Peralta’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Town’s proportionate share of the net pension liability	<u>\$ 92,897</u>	<u>62,309</u>	<u>36,937</u>

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

Payables to the pension plan

The Town accrued \$0 in PERA benefits at June 30, 2017.

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10. RETIREE HEALTH CARE

The Town has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.

NOTE 11 - SUBSEQUENT EVENTS

Events subsequent to June 30, 2017 have been evaluated by management through December 11, 2017, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2017 require adjustment or disclosure in the financial statement.

NOTE 12 - RECENT ACCOUNTING STANDARDS

In June 2015, the GASB issued statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The primary objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 74 was effective for periods beginning after June 15, 2016. The adoption of GASB Statement No. 74 did not have any effect on the Town's Financial Statements.

In January 2016, the GASB issued Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. GASB Statement No. 80 was effective for periods beginning after June 15, 2016. The adoption of GASB Statement No. 80 did not have a significant impact on the Town's financial statements.

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

GASB Statement No. 82, *Pension Issues (an Amendment of GASB Statements No. 67, No. 68, and No. 73)*

GASB Statement No. 83, *Certain Asset Retirement Obligations*

STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 84, *Fiduciary Activities*

GASB Statement No. 85, *Omnibus 2017*

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

GASB Statement No. 87, *Leases*

The Town will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The Town believes that the above listed new GASB pronouncements will not have a significant financial impact to the Town or in issuing its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2017

Public Employees Retirement Association of New Mexico
Schedule of the Town of Peralta's Proportionate Share of the Net Pension Liability
For Last 10 Fiscal Years*
(Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town's Proportion of the Net Pension Liability (Asset)	0.0000%	0.0000%	0.0039%
Town's Proportionate Share of Net Pension Liability (Asset)	\$ -	-	62
Town's Covered-Employee Payroll	\$ -	-	149
Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	0.00%	0.00%	239.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	0.00%	69.18%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Town of Peralta is not available prior to fiscal year 2015, the year the statement's requirements became effective

STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF TOWN CONTRIBUTIONS
June 30, 2017

Public Employees Retirement Association of New Mexico
Schedule of the Town of Peralta's Contributions
Last Ten Fiscal Years*
(Dollars in Thousands)

	2015	2016	2017
Contractually Required Contribution	\$ -	3	10
Contributions in Relation to the Contractually Required Contribution	-	3	10
Contribution Deficiency (Excess)*	\$ -	0	0

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Town of Peralta is not available prior to fiscal year 2015, the year the statement's requirements became effective

**STATE OF NEW MEXICO
TOWN OF PERALTA
NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

Changes of Benefit Terms. The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www/saonm.org>

Assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at:
<http://www.nmpera.org/>

Other. The pension schedules in the required supplementary information are intended to show information for ten years. Additional information will be presented as it becomes available.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TOWN OF PERALTA
NON-MAJOR FUNDS
JUNE 30, 2017

NON-MAJOR SPECIAL REVENUE FUNDS

EMS Fund – To account for the operations of emergency services. Financing is provided by the County (allotment) each year. This fund was authorized by NMSA 7-12-15.

Law Enforcement Protection Fund – To account for grants received from state sources for the purposes of buying equipment for police. This fund was authorized by NMSA 29-13-3

Environmental Gross Receipts Tax Fund – To account for environmental gross receipts tax revenues received to be used for the acquisition, construction, operation, and maintenance of solid waste facilities.

Corrections Fund – To account for the fines collected on local violations by the Town Court to be used for the costs associated with housing Town prisoners. This fund was authorized by NMSA 35-14-11.

STATE OF NEW MEXICO
TOWN OF PERALTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	EMS Fund	Law Enforcement Fund	Environmental GRT Fund	Corrections Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 115,982	5,170	9,473	1,982	132,607
Accounts receivable	-	-	2,138	-	2,138
Total assets	<u>\$ 115,982</u>	<u>5,170</u>	<u>11,611</u>	<u>1,982</u>	<u>134,745</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balance:					
Restricted for:					
Public safety	115,982	5,170	-	1,982	123,134
Public works	-	-	11,611	-	11,611
Total fund balance	<u>115,982</u>	<u>5,170</u>	<u>11,611</u>	<u>1,982</u>	<u>134,745</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 115,982</u>	<u>5,170</u>	<u>11,611</u>	<u>1,982</u>	<u>134,745</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - NONMAJOR
FOR THE YEAR ENDED JUNE 30, 2017

	EMS Fund	Law Enforcement Fund	Environmental GRT Fund	Corrections Fund	Total Nonmajor Governmental Funds
Revenues:					
GRT Taxes	\$ 35,738	-	15,831	-	51,569
Fines and forfeitures	-	-	-	10,859	10,859
State sources	-	20,000	-	-	20,000
Miscellaneous revenue	-	-	-	3,198	3,198
Total revenues	<u>35,738</u>	<u>20,000</u>	<u>15,831</u>	<u>14,057</u>	<u>85,626</u>
Expenditures:					
Current					
Public safety	32,884	20,000	-	29,324	82,208
Public works	-	-	1,714	-	1,714
Total expenditures	<u>32,884</u>	<u>20,000</u>	<u>1,714.0</u>	<u>29,324</u>	<u>83,922</u>
Excess (deficiency) of revenues over expenditures	<u>2,854</u>	<u>-</u>	<u>14,117</u>	<u>(15,267)</u>	<u>1,704</u>
Other financing sources (uses):					
Transfers in	-	-	89,281	-	89,281
Transfers out	-	-	(113,424)	-	(113,424)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(24,143)</u>	<u>-</u>	<u>(24,143)</u>
Net change in fund balances	<u>2,854</u>	<u>-</u>	<u>(10,026)</u>	<u>(15,267)</u>	<u>(22,439)</u>
Fund balances - beginning of year	<u>113,128</u>	<u>5,170</u>	<u>21,637</u>	<u>17,249</u>	<u>157,184</u>
Fund balances - end of year	<u>\$ 115,982</u>	<u>5,170</u>	<u>11,611</u>	<u>1,982</u>	<u>134,745</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
TOWN OF PERALTA
FIDUCIARY FUND
JUNE 30, 2017

Agency Fund

Court Bond Fund – To account for court bonds collected by the Courts.

STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS				
Cash	\$ <u>4,329</u>	<u>12,500</u>	<u>9,389</u>	<u>7,440</u>
<i>Total assets</i>	\$ <u><u>4,329</u></u>	<u><u>12,500</u></u>	<u><u>9,389</u></u>	<u><u>7,440</u></u>
LIABILITIES				
Due to bond holders	\$ <u>4,329</u>	<u>12,500</u>	<u>9,389</u>	<u>7,440</u>
<i>Total liabilities</i>	\$ <u><u>4,329</u></u>	<u><u>12,500</u></u>	<u><u>9,389</u></u>	<u><u>7,440</u></u>

COMPLIANCE SECTION

**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***

To Wayne A. Johnson
New Mexico State Auditor

The Town of Peralta Council
Town of Peralta

We have audited, 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, the financial statements of the governmental activities, business type 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 (the “Town”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated December 11, 2017.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a

deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses: 2016-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies: 2015-008

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 schedule of findings as item 2017-001, 2017-002, 2017-003, and 2017-004.

The Town's Response to Findings

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 11, 2017

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENT

2015-008 Bank Account Not Reconciled to Each Fund (Significant Deficiency)

Condition: The Town maintains cash for the majority of its funds in one of its bank accounts. The Town reconciles the aggregate total on a monthly basis. However, the Town does not reconcile the account to the individual funds. As a result, the Town was unable to provide an accurate cash balance for each fund.

The Town has not made progress regarding this finding.

Criteria: The bank account must be reconciled to each fund and in the aggregate on a monthly basis.

Effect: Errors or omissions could occur.

Cause: Management was unaware of the importance of reconciling cash at the fund level.

Recommendation: We recommend management begin reconciling the account at the fund level.

Management's Response:

Responsible Party: *Town Treasurer*

Quarterly reports citing the balance of the individual funds is reported and submitted to DFA, Local Government Division. The Town Treasurer is working on a crosswalk with the Town's Quick Book Chart of accounts to supply a reporting system of these fund accounts on a monthly basis.

Timeline for Corrective Action: *Implementation is projected for January 2018.*

2016-003 SAS-115 – INEFFECTIVE OVERSIGHT OF THE FINANCIAL REPORTING AND INTERNAL CONTROLS (Material Weaknesses)

Condition: While conducting our audit for fiscal year 2017, we noted that there are still issues with the oversight of its financial reporting process. The current chart of accounts is not set up to track the various funds portion of the pooled cash and also to ensure that each fund is separately accounted for.

The Town has made progress regarding this finding. The Town completed in a timely manner the account reconciliations and year financial schedules. However, the Town is still in the process of changing the chart of accounts to properly account for the pooled cash and to ensure that the transactions are being accounted separately for each fund.

Criteria: Per Statement of Auditing Standard (SAS) 115, Communicating Internal Control Related Matters Identified in an Audit, the auditor must determine whether the client has sufficient accounting

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017**

competence and knowledge to detect or prevent a misstatement or error in the financial reporting. The Town should possess the ability to perform accounting transactions in addition to understanding the process. A system of internal controls over the preparation of the financials does not stop at the general ledger; rather it includes controls over the preparation of the financial statements and supporting schedules as well.

Effect: The Town may not have timely and accurate fund financial information to make informed financial decisions. The fact that the Town currently does not have the capacity to prepare the financial statements by fund diminishes the adequacy of the internal controls that are present.

Cause: The Town Treasurer position was vacant during the prior fiscal year and during a portion of the current fiscal year. During fiscal year 2017 the new Treasurer has been implementing policies and procedures but is still in the process of changing the chart of accounts.

Recommendation: We recommend the Town develop and implement a chart of accounts to ensure that the financial reporting process is able to facilitate the production of timely and accurate fund financial statements.

Management's Response:

Responsible Party: Town Treasurer

Quarterly reports citing the balance of the individual funds is reported and submitted to DFA, Local Government Division. The Town Treasurer is working on a crosswalk with the Town's Quick Book Chart of accounts to supply a reporting system of these fund accounts on a monthly basis.

Timeline for Corrective Action: Implementation is projected for January 2018.

2017-001 Public Monies (Other Matters)

Condition: During our testing of public monies in accordance with the 2017 New Mexico State Audit Rule, it was identified that the Town had approximately \$397,953 in cash held with a third party vendor who is located outside of the county.

Criteria: Section 6-10-10(A) NMSA 1978 requires that municipalities who have on hand any public money shall make deposit of that money in banks and savings and loan associations or may make deposit of that money in credit unions whose deposits are insured by an agency of the United States. Section 6-10-10(B) NMSA 1978 further stipulates that municipalities may deposit money in one or more accounts with any such bank, saving and loan association or credit union located in their respective counties.

Effect: Holding public monies in a third party account outside of the county indicates non-compliance with state regulations.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017**

Cause: The Town was unable to transfer the cash from the third party vendor to a financial institution within their respective county in a timely manner.

Recommendation: It is recommended that the Town transfer cash from the third party to the Town deposit accounts held within the county. It is recommended the Town implement a policy requiring review of all new accounts to ensure they are within the county.

Management's Response:

Responsible Party: *Town Treasurer, Town Clerk, Town Mayor, Town Councilors*

Deposit accounts that were held outside of Valencia County have been closed as of September 2017 and placed in a local financial institution within the Town's respective county.

Timeline for Corrective Action: *Corrected September 2017*

2017-002 Controls Surrounding Cash Disbursements (Other Matters)

Condition: Through our cash disbursement testwork we noted a check totaling \$57,500 was not signed by two authorized individuals.

Criteria: In accordance with Town policy all checks are required to be signed by two individuals.

Effect: Material misstatements due to error could go unnoticed and unallowable purchases could be made.

Cause: There was a breakdown in internal controls.

Recommendation: We recommend the Town review all disbursements to ensure they are approved and properly signed.

Management's Response:

Responsible Party: *Town Treasurer, Town Clerk, Town Mayor*

The Town Treasurer will print checks for payments or transfer deposits. The Town Treasurer will also print a check and/or transfer summary to be included with each batch of checks for review. All printed checks, transfers and summary will be reviewed by the Town Clerk, Utilities Director, and/or Mayor before being mailed or deposited into the bank.

Timeline for Corrective Action: *Corrected December 2017*

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017**

2017-003 Pledged Collateral Deficiency (Other Matters)

Condition: At June 30, 2017, the Town's depository institution did not maintain the required amount of pledged collateral to cover Town deposits; the amount under collateralized amounted to \$147,953.

Criteria: In accordance with the Public Money Act (Section 6-10 NMSA 1978), deposits of public money are required to be collateralized accordingly.

Effect: The Town was out of compliance with the aforementioned statute.

Cause: The Town's depository did not maintain the proper amount of collateralization at June 30, 2017.

Recommendation: The Town should monitor their collateral amounts during the year and particularly at year end.

Management's Response:

Responsible Party: *Town Treasurer, Town Clerk*

This was corrected in September 2017 with the closure of the deposit account in question. The Town Treasurer in ensuring that the savings account opened in September 2017 with these funds is properly collateralized.

Timeline for Corrective Action: *Corrected September 2017*

2017-004 PERA Compliance (Other Matters)

Condition: During our compliance testing with the New Mexico Office of the State Auditor Rule 2.2.2.10J(6) NMAC, we noted that the Public Employees Retirement Association (PERA) contribution percentages have not been remitted at the statutory contribution rate resulting in a variance of \$315.60.

Criteria: Sections 10-11-1 to 10-11-141 NMSA 1978 set forth required contribution percentages for the employer and employee for various retirement plans.

Effect: Employer and employee contributions may be underpaid.

Cause: The Town identified multiple occasions in which the correct wages were not reported to PERA on its contribution remittance. The incorrect wage reported on the PERA contribution remittance caused the Town to inadvertently remit the incorrect PERA contribution.

Recommendation: The Town should review the contribution remittance to ensure the correct wages are being reported to PERA and the employer and employee contributions have been remitted at the correct rate.

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017**

Management's Response:

Responsible Party: Town Treasurer

From July 2016 through January 2017, the Town's payroll was handled by a local bookkeeper and errors were made. As of February 2017, payroll has been contracted out to the Payroll Company, a third party vendor and the PERA contributions have been submitted at the statutory contribution rates. The Town Treasurer will review PERA contributions each payperiod to verify the correct amount is remitted.

Timeline for Corrective Action: Corrected February 2017

**STATE OF NEW MEXICO
TOWN OF PERALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017**

Summary of Prior Year Findings

2015-002	Capital Asset Listing/Depreciation Schedule	Resolved
2015-003	DFA Report Incorrect	Resolved
2015-005	Court Bonds not Reconciled to the Bank Accounts	Resolved
2015-007	Bank Reconciliation Transactions Incorrect	Resolved
2015-008	Bank Account not Reconciled to Each Fund	Revised and Repeated
2016-001	Controls Surrounding Cash Disbursements	Resolved
2016-002	Internal Controls Surrounding Payroll Disbursements	Resolved
2016-003	SAS-115 Ineffective Oversight of the Financial Reporting and Internal Controls	Revised and Repeated

**STATE OF NEW MEXICO
TOWN OF PERALTA
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2017**

Exit Conference

An exit conference was held on December 8, 2017 which was attended by the following:

Town of Peralta

Bryan R. Olguin, Mayor
Julie Pluemer, Clerk Administrator
Steve Robbins, Treasurer

Pattillo, Brown, & Hill LLP

Chris Garner, CPA

Financial Statement Presentation

The financial statements were prepared from the original books and records of the Town of Peralta as of June 30, 2017 by Pattillo, Brown, & Hill, LLP. However, the contents of the financial statements remain the responsibility of management.