

**STATE OF NEW MEXICO
CITY OF JAL**

**Financial Statements
With Independent Auditor's Report Thereon
June 30, 2008**

**STATE OF NEW MEXICO
CITY OF JAL
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June 30, 2008**

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**STATE OF NEW MEXICO
CITY OF JAL
Official Roster
June 30, 2008**

CITY COUNCIL

Alton Dunn
Wanliss Armstrong
Dennis Allen
Jack Fletcher
Amelia Trevino
Claydean Clayborne
Dewayne Jennings

Mayor
Councilor
Councilor
Councilor
Councilor
Councilor
Councilor

ADMINISTRATIVE OFFICIALS

Eva Sanchez
Bobbie Sue Bennett
Michael N. May
Michael Duplichain
PJ Parker
Larry Burns

City Manager
City Clerk-Treasurer
Municipal Judge
Public Works Director
Special Projects Coordinator
Police Chief

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, City Council,
The City of Jal
and
Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the respective budgetary comparisons, and the aggregate remaining fund information of the State of New Mexico, City of Jal (the "City"), as of and for the year ended June 30, 2008 which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental funds and all budgetary comparisons presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico, City of Jal as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City of Jal as of June 30, 2008, and the respective changes in financial statements, where applicable, thereof and the respective budgetary comparisons for the nonmajor special revenue and proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Miller & Associates, CPA, PC

Miller & Associates, C.P.A, P.C.
November 25, 2008

**STATE OF NEW MEXICO
CITY OF JAL
Management's Discussion and Analysis
June 30, 2008**

As management of the City of Jal, we offer readers of the City of Jal financial statements the narrative overview and analysis of the financial activities of the City of Jal for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements of the City of Jal and additional information provided.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) for the City of Jal (the "City") will provide an overview of the City's activities and programs by (1) evaluating the operating results for the year, (2) assessing its financial position and condition, (3) helping to understand its sources and uses of financial resources, (4) helping to determine if budgets were met, and (5) identifying budget issues or concerns. Finally, the MD&A will provide comparative data from fiscal 2007 and 2008.

Government-wide financial statements

The government-wide financial statement is designed to provide readers with a broad overview of the City of Jal's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Jal's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Jal is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements, distinguish functions of the City of Jal that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Jal include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the City of Jal include a wastewater disposal service facility, water utility, and solid waste disposal facility.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Jal, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Jal can be divided into three categories: government funds, proprietary funds, and fiduciary funds.

STATE OF NEW MEXICO
CITY OF JAL
Management's Discussion and Analysis
June 30, 2008

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary funds

The City of Jal maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Jal uses enterprise funds to account for its wastewater disposal service facility, solid waste disposal facility, and water utility.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Jal's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jal, assets exceeded liabilities by \$3,330,723 at the close of the most recent fiscal year.

The largest portion of the City of Jal's net assets (49.8 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Jal uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City of Jal's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**STATE OF NEW MEXICO
CITY OF JAL
Management's Discussion and Analysis
June 30, 2008**

CITY OF JAL NET ASSETS

| | Government Activities | | Business-Type Activities | | Total | |
|--------------------------|-----------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | June 30, 2008 | June 30, 2007 | June 30, 2008 | June 30, 2007 | June 30, 2008 | June 30, 2007 |
| Assets: | | | | | | |
| Current and other assets | \$1,383,600 | \$1,367,366 | \$320,228 | \$256,119 | \$1,703,828 | \$1,623,485 |
| Capital assets, net | 670,110 | 700,450 | 1,135,255 | 1,121,793 | 1,805,365 | 1,822,243 |
| Total assets | <u>2,053,710</u> | <u>2,067,816</u> | <u>1,455,483</u> | <u>1,377,912</u> | <u>3,509,193</u> | <u>3,445,728</u> |
| Liabilities: | | | | | | |
| Current liabilities | 82,855 | 26,528 | 86,419 | 78,693 | 169,274 | 105,221 |
| Long-term liabilities | 9,196 | 12,472 | - | - | 9,196 | 12,472 |
| Total liabilities | <u>92,051</u> | <u>39,000</u> | <u>86,419</u> | <u>78,693</u> | <u>178,470</u> | <u>117,693</u> |
| Fund Equity | <u>\$1,961,659</u> | <u>\$2,028,816</u> | <u>\$1,369,064</u> | <u>\$1,299,219</u> | <u>\$3,330,723</u> | <u>\$3,328,035</u> |

At the end of the current fiscal year, the City of Jal is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities

Governmental activities decreased the City of Jal's net assets by \$67,157.

**STATE OF NEW MEXICO
CITY OF JAL
Management's Discussion and Analysis
June 30, 2008**

Comparison of Key Elements

| | <u>Government Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-----------------------------------|------------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
| | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>June 30, 2008</u> | <u>June 30, 2007</u> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Operating grants | \$ 589,290 | \$ 628,987 | \$ - | \$ - | \$ 589,290 | \$ 628,987 |
| Charges for services | 175,218 | 182,804 | 874,373 | 849,084 | 1,049,591 | 849,084 |
| Capital grants | - | - | - | - | - | - |
| General revenues | | | | | | |
| Property taxes | 72,677 | 67,385 | - | - | 72,677 | 67,385 |
| Sales taxes | 651,650 | 717,913 | 42,314 | 34,443 | 693,964 | 752,356 |
| Franchise taxes | 50,009 | 40,691 | - | - | 50,009 | 40,691 |
| Gas taxes | 31,157 | 30,423 | - | - | 31,157 | 30,423 |
| Cigarette taxes | 5,690 | 5,407 | - | - | 5,690 | 5,407 |
| Miscellaneous | 134,523 | 67,030 | 4,248 | 7,012 | 138,771 | 74,042 |
| Total revenues | <u>1,710,214</u> | <u>1,426,174</u> | <u>920,935</u> | <u>125,145</u> | <u>2,631,149</u> | <u>1,551,319</u> |
| Expenses: | | | | | | |
| General government | 405,738 | 282,284 | - | - | 405,738 | 282,284 |
| Public safety | 732,697 | 333,875 | - | - | 732,697 | 333,875 |
| Culture and recreation | 78,057 | 75,501 | - | - | 78,057 | 75,501 |
| Public works | 457,134 | 532,943 | - | - | 457,134 | 532,943 |
| Health and welfare | 103,745 | 84,513 | - | - | 103,745 | 95,334 |
| Water management | - | - | 475,742 | 370,167 | 475,742 | 370,167 |
| Wastewater management | - | - | 60,632 | 101,316 | 60,632 | 101,316 |
| Solid waste management | - | - | 314,716 | 278,487 | 314,716 | 278,487 |
| Total expenses | <u>1,777,371</u> | <u>1,309,116</u> | <u>851,090</u> | <u>749,970</u> | <u>2,628,461</u> | <u>2,059,086</u> |
| Increase (decrease) in net assets | <u>\$ (67,157)</u> | <u>\$ 431,524</u> | <u>\$ 69,845</u> | <u>\$ (42,235)</u> | <u>\$ 2,688</u> | <u>\$ 389,289</u> |

Business-type activities

Business-type activities increased the City of Jal's net assets by \$69,845. Revenues for the business type funds exceeded budget expectations last year.

**STATE OF NEW MEXICO
CITY OF JAL
Management's Discussion and Analysis
June 30, 2008**

FUND FINANCIAL ANALYSIS

As noted earlier, the City of Jal uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

- General Fund – This is the City’s chief operating fund. The Fund has a cash balance of \$1,100,998 that is set aside for unanticipated expenditures and future capital assets. This balance includes \$375,000 in Cash Deposits. Overall there was a decrease of \$32,536 in revenues and an increase of \$172,639 in general government expenses, an increase of \$132,715 in public safety expenses and a decrease of \$75,936 in public works expenses for a total increase of \$229,418 in expenses due to the purchase of a new utilities billing program and increases in salary.
- Special Revenue Funds – The special revenue funds consist of the EMS, State Fire, Street, Recreation, Cemetery, Corrections, Law Enforcement, Youth and Aged, and Environmental funds. Each of the respective funds has restrictions on the use of the revenues generated in each fund.
- Enterprise – These funds account for the Water and Sewer and Solid Waste funds, which account for all utilities. These funds are treated as business activities. The increase of \$177,308 in sales and service for the Water and Sewer Fund is the result of a water rate increase.
- Fiduciary – The only fiduciary fund that the City of Jal has is a trust and agency fund that is used to account for the in and out activity of the Motor Vehicle fund.
- The City of Jal adopts an annual appropriated budget for all the funds described above.

GENERAL FUND BUDGETARY HIGHLIGHTS

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances stated on the government’s budgetary basis. As required by the Office of the State Auditor in 2 NMAC 2.2, the budgetary comparison statement is presented as a basic statement. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Budget fluctuations for the general fund are due to the City’s chief industry, which is oil and gas production and transportation. Gross receipts from the industry generate approximately 48% of the City’s revenues. The industry is volatile and fluctuates from day to month to year. There are no significant variations between final budget amounts and actual budget amounts due to management amending final budget amounts to be the same as actual budget amounts.

**STATE OF NEW MEXICO
CITY OF JAL
Management's Discussion and Analysis
June 30, 2008**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$1,749,798 (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, and equipment. Major capital assets for 07/08 are as follows:

- #1 Water & Sewer Fund: West Field Booster Station Motor at a cost of \$11,118.00
- #2 Water & Sewer Fund: West Field Booster Station Motor at a cost of \$8,595.00
- #3 Water & Sewer Fund: West Field Booster Station Motor at a cost of \$5,300.00
- #4 Water & Sewer Fund: West Field Booster Station Pump at a cost of \$9,392.40
- #5 General Fund: 2008 Ford F-150 Pickup at a cost of \$25,454.00
- #6 General Fund: 2008 Ford F-150 Pickup at a cost of \$21,827.00

**City of Jal's Capital Assets
(net of depreciation)**

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land | \$53,712 | \$53,712 | \$15,768 | \$15,768 | \$69,480 | \$69,480 |
| Building and improvement | 291,540 | 307,347 | 82,649 | 87,102 | 374,189 | 394,449 |
| Equipment | 174,410 | 182,661 | 55,411 | 27,392 | 229,821 | 210,053 |
| Infrastructure | 150,448 | 156,730 | 925,860 | 991,531 | 1,076,308 | 1,148,261 |
| Total | \$670,110 | \$700,450 | \$1,079,688 | \$1,121,793 | \$1,749,798 | \$1,822,243 |

Long-Term Debt: At the end of the current fiscal year, the City of Jal had a total long-term debt outstanding of \$12,345. This amount is due to employees and consists of accumulated balances for annual leave and sick leave eligible for payment to employees upon termination of their employment and a note payable due to the New Mexico Environmental Department. There was no significant long-term debt activity for the year.

**City of Jal
Long-Term Debt**

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------|-------------------------|-----------------|--------------------------|----------------|-----------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Compensated absences | \$9,196 | \$12,472 | \$3,149 | \$3,144 | \$12,345 | \$15,616 |
| | - | - | - | - | - | - |
| Total | \$9,196 | \$12,472 | \$3,149 | \$3,144 | \$1,2345 | \$15,616 |

**STATE OF NEW MEXICO
CITY OF JAL
Management's Discussion and Analysis
June 30, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Jal continues to strive for economic development opportunities. Due to some hardships in the prior years, the governing body estimates revenues conservatively low. We rely on grants to upgrade the City's infrastructure and purchase new equipment. The budget for fiscal year 2009 will be similar to past budgets unless the economy shows significant growth.

FINANCIAL HIGHLIGHTS

- General fund cash balances – The difference between the original budget and the final amended budget was minor. The police department's expenditures were 31%, 29% was for public works, and the remaining 40% was for legislative, judicial, financial administration, and ambulance services.
- Enterprise cash balances – The water and sewer fund showed an increase in the cash balance of \$134,456. The solid waste fund cash balance had a decrease of \$40,781. All utility rates were increased to the consumer, based on the 4.3% Consumer Price Index.

REQUESTS FOR INFORMATION

The purpose of this financial report is to provide the general public and other interested parties with a general overview of the City's finances and accountability of funds. Questions concerning this report or requests for additional information should be addressed to the City of Jal, P.O. Box 340, Jal, New Mexico 88252 or by calling Bobbie Sue Bennett at 575-395-3340, ext #227.

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BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
CITY OF JAL
Statement of Net Assets
Government -Wide
June 30, 2008

| | Primary Government | | |
|-------------------------------------------------|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents (Note II) | \$ 1,266,598 | \$ 231,161 | \$ 1,497,759 |
| Accounts receivable | 117,002 | 89,067 | 206,069 |
| Total current assets | <u>1,383,600</u> | <u>320,228</u> | <u>1,703,828</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash | - | 55,567 | 55,567 |
| Capital assets, net of depreciation (Note III) | | | |
| Land | 53,712 | 15,768 | 69,480 |
| Buildings and improvements | 291,540 | 82,649 | 374,189 |
| Equipment | 174,410 | 55,411 | 229,821 |
| Infrastructure | 150,448 | 925,860 | 1,076,308 |
| Total noncurrent assets | <u>670,110</u> | <u>1,135,255</u> | <u>1,805,365</u> |
| Total assets | <u>\$ 2,053,710</u> | <u>\$ 1,455,483</u> | <u>\$ 3,509,193</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 82,855 | \$ 27,703 | \$ 110,558 |
| Accrued interest | - | - | - |
| Water meter deposits | - | 55,567 | 55,567 |
| Accrued compensated absences - current | - | 3,149 | 3,149 |
| Total current liabilities | <u>82,855</u> | <u>86,419</u> | <u>169,274</u> |
| Noncurrent liabilities: | | | |
| Notes payable (Note IV) | - | - | - |
| Accrued compensated absences (Note IV) | 9,196 | - | 9,196 |
| Total noncurrent liabilities | <u>9,196</u> | <u>-</u> | <u>9,196</u> |
| Total liabilities | <u>92,051</u> | <u>86,419</u> | <u>178,470</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 670,110 | 1,079,688 | 1,749,798 |
| Unrestricted | 1,291,549 | 289,376 | 1,580,925 |
| Total net assets | <u>1,961,659</u> | <u>1,369,064</u> | <u>3,330,723</u> |
| Total liabilities and net assets | <u>\$ 2,053,710</u> | <u>\$ 1,455,483</u> | <u>\$ 3,509,193</u> |

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

**STATE OF NEW MEXICO
CITY OF JAL
Statement of Activities
Government -Wide
For the Year Ended June 30, 2008**

| Functions/Programs | Expenses | Program Revenues | | |
|----------------------------------|---------------------|-----------------------------|-------------------------------------------|-----------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 405,738 | \$ 23,524 | \$ 348,613 | \$ - |
| Public safety | 732,697 | 110,290 | 177,838 | - |
| Culture and recreation | 78,057 | 9,428 | 8,643 | - |
| Public works | 457,134 | - | - | - |
| Health and welfare | 103,745 | 31,976 | 54,196 | - |
| Total governmental activities | <u>1,777,371</u> | <u>175,218</u> | <u>589,290</u> | <u>-</u> |
| Business-type activities: | | | | |
| Water management | 475,742 | 474,846 | - | - |
| Wastewater management | 60,632 | 128,665 | - | - |
| Solid waste management | 314,716 | 270,862 | - | - |
| Total business-type activities | <u>851,090</u> | <u>874,373</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 2,628,461</u> | <u>\$ 1,049,591</u> | <u>\$ 589,290</u> | <u>\$ -</u> |

General revenues:
Property taxes
Gross receipt taxes
Franchise taxes
Gas taxes
Cigarette taxes
Miscellaneous
Total general revenues
Change in net assets
Net assets - beginning
Net assets - ending

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

Primary Government

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|---------------------|
| \$ (33,601) | \$ - | \$ (33,601) |
| (444,569) | - | (444,569) |
| (59,986) | - | (59,986) |
| (457,134) | - | (457,134) |
| (17,573) | - | (17,573) |
| <u>(1,012,863)</u> | <u>-</u> | <u>(1,012,863)</u> |
| - | (896) | (896) |
| - | 68,033 | 68,033 |
| - | (43,854) | (43,854) |
| <u>-</u> | <u>23,283</u> | <u>23,283</u> |
| <u>(1,012,863)</u> | <u>23,283</u> | <u>(989,580)</u> |
| 72,677 | - | 72,677 |
| 651,650 | 42,314 | 693,964 |
| 50,009 | - | 50,009 |
| 31,157 | - | 31,157 |
| 5,690 | - | 5,690 |
| 134,523 | 4,248 | 138,771 |
| <u>945,706</u> | <u>46,562</u> | <u>992,268</u> |
| (67,157) | 69,845 | 2,688 |
| <u>2,028,816</u> | <u>1,299,219</u> | <u>3,328,035</u> |
| <u>\$ 1,961,659</u> | <u>\$ 1,369,064</u> | <u>\$ 3,330,723</u> |

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FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF JAL
Balance Sheet
Governmental Funds
June 30, 2008**

| | General Fund | Other Non- Major Funds | Total Governmental Funds |
|------------------------------------------|-------------------------|-----------------------------------|-----------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,100,998 | \$ 165,600 | \$ 1,266,598 |
| Taxes receivable | 100,063 | 16,939 | 117,002 |
| | | | |
| Total assets | <u>\$ 1,201,061</u> | <u>\$ 182,539</u> | <u>\$ 1,383,600</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 78,163 | \$ 4,691 | \$ 82,854 |
| Deferred revenue | 1,672 | - | 1,672 |
| Total liabilities | <u>79,835</u> | <u>4,691</u> | <u>84,526</u> |
| Fund balances: | | | |
| Unreserved, designated for: | | | |
| General fund | 1,121,226 | - | 1,121,226 |
| Youth and aged fund | - | 31,979 | 31,979 |
| Law enforcement fund | - | 1 | 1 |
| Correction fund | - | 23,336 | 23,336 |
| Cemetery fund | - | 21,757 | 21,757 |
| Street fund | - | 39,323 | 39,323 |
| Recreation fund | - | 1,590 | 1,590 |
| EMS fund | - | 272 | 272 |
| State fire fund | - | 6,633 | 6,633 |
| Environmental fund | - | 52,957 | 52,957 |
| Total fund balances | <u>1,121,226</u> | <u>177,848</u> | <u>1,299,074</u> |
| | | | |
| Total liabilities and fund balances | <u>\$ 1,201,061</u> | <u>\$ 182,539</u> | <u>\$ 1,383,600</u> |

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

**STATE OF NEW MEXICO
CITY OF JAL
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2008**

Total fund balances - governmental funds \$ 1,299,074

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

| | | |
|---------------------------|--------------------|---------|
| Land | \$ 53,712 | |
| Building and improvements | 1,433,848 | |
| Equipment | 1,548,348 | |
| Infrastructure | 169,205 | |
| Accumulated depreciation | <u>(2,535,003)</u> | |
| Total capital assets | | 670,110 |

Deferred revenue 1,671

Compensated absences are not due and payable in the current period and therefore are not reported in the funds. (9,196)

Net assets of governmental activities \$ 1,961,659

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

STATE OF NEW MEXICO
CITY OF JAL
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

| | General Fund | Other Non-Major Funds | Total Governmental Funds |
|------------------------------------------------------|---------------------|--------------------------------------|-----------------------------------------|
| REVENUES | | | |
| General taxes | \$ 399,771 | \$ - | \$ 399,771 |
| State shared taxes | 315,220 | 103,373 | 418,593 |
| Licenses and permits | 2,049 | - | 2,049 |
| Intergovernmental | 438,613 | 141,972 | 580,585 |
| Charges for sales and services | 68,580 | 41,404 | 109,984 |
| Fines and forfeits | 50,837 | 10,928 | 61,765 |
| Miscellaneous | 88,213 | 9,810 | 98,023 |
| Interest income | 32,876 | 10,628 | 43,504 |
| Total revenues | <u>1,396,159</u> | <u>318,115</u> | <u>1,714,274</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 405,840 | - | 405,840 |
| Public safety | 609,322 | 125,704 | 735,026 |
| Culture and recreation | - | 63,878 | 63,878 |
| Public works | 443,940 | - | 443,940 |
| Health and welfare | - | 103,745 | 103,745 |
| Total expenditures | <u>1,459,102</u> | <u>293,327</u> | <u>1,752,429</u> |
| Excess (deficiency) of revenues over expenditures | (62,943) | 24,788 | (38,155) |
| Fund balances - beginning of the year | <u>1,184,169</u> | <u>153,060</u> | <u>1,337,229</u> |
| Fund balances - end of the year | <u>\$ 1,121,226</u> | <u>\$ 177,848</u> | <u>\$ 1,299,074</u> |

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

STATE OF NEW MEXICO
CITY OF JAL
Reconciliation of Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Net change in fund balances - total governmental funds | \$ (38,155) |
| <p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p> | |
| <p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p> | |
| Capital asset purchases capitalized | \$ 47,281 |
| Depreciation expense | <u>(77,620)</u> |
| Excess of depreciation over capital outlay | (30,339) |
| Deferred revenue | (1,939) |
| Compensated absences reported in the Statement of Activities require the use of current financial resources and therefore are not reportable as expenditures in governmental funds. | <u>3,276</u> |
| Change in net assets of governmental activities | <u><u>\$ (67,157)</u></u> |

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

STATE OF NEW MEXICO
CITY OF JAL
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|-------------------|---------------------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local effort taxes | \$ 375,937 | \$ 414,970 | \$ 414,970 | \$ - |
| State shared taxes | 310,693 | 334,367 | 334,367 | - |
| Licenses and permits | 1,758 | 2,049 | 2,049 | - |
| Charges for services | 51,040 | 70,161 | 70,161 | - |
| Fines and forfeits | 45,000 | 50,837 | 50,837 | - |
| Miscellaneous | 12,259 | 121,089 | 121,089 | - |
| Intergovernmental revenues | 1,056,300 | 438,613 | 438,613 | - |
| | <u>1,852,987</u> | <u>1,432,086</u> | <u>1,432,086</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Legislative | 81,263 | 144,971 | 144,971 | - |
| Judicial | 19,282 | 33,287 | 33,287 | - |
| Financial administration | 166,033 | 162,164 | 161,939 | 225 |
| Police | 373,757 | 440,165 | 439,717 | 448 |
| Fire | 225,480 | 208,122 | 208,122 | - |
| Ambulance | - | 1,174 | 1,174 | - |
| Public works | 1,301,842 | 405,368 | 405,368 | - |
| | <u>2,167,657</u> | <u>1,395,251</u> | <u>1,394,578</u> | <u>673</u> |
| Excess (deficiency) of revenues over expenditures | (314,670) | 36,835 | <u>\$ 37,508</u> | <u>\$ 673</u> |
| Prior year cash balance | <u>1,063,490</u> | <u>1,063,490</u> | | |
| End of the year cash balance | <u>\$ 748,820</u> | <u>\$ 1,100,325</u> | | |

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

**STATE OF NEW MEXICO
CITY OF JAL
Statement of Net Assets
Proprietary Funds
June 30, 2008**

| | Business-type Activities - Enterprise Funds | | |
|-------------------------------------------------|----------------------------------------------------|-----------------------------|----------------------------------------|
| | Water and Sewer Fund | Solid Waste Fund | Total Proprietary Funds |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 225,926 | \$ 5,235 | \$ 231,161 |
| Accounts receivable | 62,864 | 26,203 | 89,067 |
| Total current assets | <u>288,790</u> | <u>31,438</u> | <u>320,228</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash | 55,567 | - | 55,567 |
| Capital assets, net of depreciation (Note III) | 1,079,688 | - | 1,079,688 |
| Total noncurrent assets | <u>1,135,255</u> | <u>-</u> | <u>1,135,255</u> |
| Total assets | <u>\$ 1,424,045</u> | <u>\$ 31,438</u> | <u>\$ 1,455,483</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 24,353 | \$ 1,953 | \$ 26,306 |
| Accrued payroll | 1,397 | - | 1,397 |
| Water meter deposits | 55,567 | - | 55,567 |
| Accrued compensated absences - current | 3,149 | - | 3,149 |
| Total current liabilities | <u>84,466</u> | <u>1,953</u> | <u>86,419</u> |
| Total liabilities | <u>84,466</u> | <u>1,953</u> | <u>86,419</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1,079,688 | - | 1,079,688 |
| Unrestricted | 259,891 | 29,485 | 289,376 |
| Total net assets | <u>1,339,579</u> | <u>29,485</u> | <u>1,369,064</u> |
| Total liabilities and net assets | <u>\$ 1,424,045</u> | <u>\$ 31,438</u> | <u>\$ 1,455,483</u> |

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

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2008

| | Business-type Activities - Enterprise Funds | | |
|------------------------------------|----------------------------------------------------|-----------------------------|----------------------------------------|
| | Water and Sewer Fund | Solid Waste Fund | Total Proprietary Funds |
| OPERATING REVENUES | | | |
| Sales and service | \$ 599,431 | \$ 270,862 | \$ 870,293 |
| Connections | 4,080 | - | 4,080 |
| Gross receipts tax | 27,790 | 14,524 | 42,314 |
| Miscellaneous | 3,464 | 781 | 4,245 |
| Total operating revenues | 634,765 | 286,167 | 920,932 |
| OPERATING EXPENDITURES | | | |
| Salaries, wages and benefits | 152,169 | 57,616 | 209,785 |
| Utilities | 97,424 | - | 97,424 |
| Repairs and maintenance | 150,229 | 12,619 | 162,848 |
| Supplies | 13,449 | 3,128 | 16,577 |
| Capital outlay - inventory exempt | - | - | - |
| Depreciation | 76,510 | - | 76,510 |
| Gross receipts tax | 26,293 | 12,745 | 39,038 |
| Miscellaneous | 20,299 | 228,606 | 248,905 |
| Total operating expenditures | 536,373 | 314,714 | 851,087 |
| Operating income (loss) | 98,392 | (28,547) | 69,845 |
| Change in net assets | 98,392 | (28,547) | 69,845 |
| Net assets - beginning of the year | 1,241,187 | 58,032 | 1,299,219 |
| Net assets - end of the year | \$ 1,339,579 | \$ 29,485 | \$ 1,369,064 |

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

**STATE OF NEW MEXICO
CITY OF JAL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008**

| | Business-type Activities - Enterprise Funds | | |
|----------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------|----------------------------------------|
| | Water and Sewer Fund | Solid Waste Fund | Total Proprietary Funds |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 622,288 | \$ 281,820 | \$ 904,108 |
| Cash payments to suppliers for goods and services | (296,676) | (264,985) | (561,661) |
| Cash payments to employees for services | (152,164) | (57,616) | (209,780) |
| Net cash provided (used) by operating activities | <u>173,448</u> | <u>(40,781)</u> | <u>132,667</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition and construction of capital assets | (34,405) | - | (34,405) |
| Net cash used for capital and related financing activities | <u>(34,405)</u> | <u>-</u> | <u>(34,405)</u> |
| Net increase (decrease) in cash and cash equivalents | 139,043 | (40,781) | 98,262 |
| Cash and cash equivalents at the beginning of the year | <u>142,450</u> | <u>46,016</u> | <u>188,466</u> |
| Cash and cash equivalents at the end of the year | <u>\$ 281,493</u> | <u>\$ 5,235</u> | <u>\$ 286,728</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 98,392 | \$ (28,549) | \$ 69,843 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 76,510 | - | 76,510 |
| Change in assets and liabilities: | | | |
| (Increase)/decrease in accounts receivable | (17,066) | (4,347) | (21,413) |
| Increase/(decrease) in accounts payable | 9,622 | (8,322) | 1,300 |
| Increase/(decrease) in accrued payroll | 1,398 | 437 | 1,835 |
| Increase/(decrease) in compensated absences | 6 | - | 6 |
| Increase/(decrease) in water meter deposits | 4,586 | - | 4,586 |
| Net cash provided (used) by operating activities | <u>\$ 173,448</u> | <u>\$ (40,781)</u> | <u>\$ 132,667</u> |

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

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STATE OF NEW MEXICO
CITY OF JAL
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

| | <u>Agency Fund</u> |
|---------------------------|------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 3,198</u> |
| LIABILITIES | |
| Accounts payable | <u>\$ 3,198</u> |

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

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NOTES TO THE FINANCIAL STATEMENTS

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**STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Jal, NM (the "City"), was incorporated on March 24, 1950. The City is a municipal corporation governed by an elected mayor and an six-member council. The City's major operations include public safety (police, ambulance and fire), streets, sanitation, health and social services, culture-recreation, education, public improvements, and general administrative services. The City has no blended component units that are legally separate entities but still, in substance, part of the government's operations.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Jal has no component units.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Government Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The City elected to implement the general provisions of the Statement as of June 30, 2004 and does not plan to retroactively report infrastructure (infrastructure assets acquired prior to 7/1/03).

STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic financial statements – government-wide statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety (police, ambulance and fire), streets, health and social services, culture-recreation, education, and general administrative services are classified as governmental activities. The City's water, sewer and solid waste services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Fiduciary funds and component units that are fiduciary in nature are not included in the government-wide financial statements. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property and sales taxes), and certain inter-governmental revenues (fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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 as general revenues.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. Basic financial statements – fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic financial statements – fund financial statements (Continued)

- a) **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b) **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The City reports the following major governmental funds:

- a) The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

2. Proprietary funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a) **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City reports the following major proprietary funds:

- a) Water and sewer fund is utilized to account for the provisions of the water and sewer services to the residents of the City.
- b) Solid waste fund accounts for the disposal of solid waste for the residents of the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer, and solid waste funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic financial statements – fund financial statements (Continued)

3. Fiduciary funds:

Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The City's fiduciary fund is presented in the fiduciary fund financial statements. This fund accounts for the collection and payment to the State of New Mexico motor vehicle fees collected by the City on the state's behalf and the collection and payment to the Game and Fish Department for fees collected on their behalf. The Fund cannot be used to address activities or obligations of the government. Therefore, the funds are not incorporated into the government-wide statements.

D. Measurement focus and basis of accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement focus and basis of accounting (Continued)

Basis of accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Property taxes, cigarette taxes, gas taxes, franchise fees, and sales tax associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The government-wide full accrual basis property taxes receivable recognizes net of estimated refunds and uncollectible amounts, in the period for which the taxes are levied, even if they are not available.

Property taxes are levied and collected by the Lea County treasurer on behalf of the City. The taxes are levied in November and payable in two installments, November 10th and April 10th. The county remits to the city a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty and interest, 30 days after the date on which they are due.

STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary control

Budgetary control is at the line item level. The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Clerk-Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at the City Hall to obtain the taxpayer's input. Prior to July 1 of each year, the budget is legally enacted through an ordinance.
2. The City-Clerk Treasurer is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of the funds must be approved by the City Council and New Mexico State Department of Finance, Division of Local Governments.
3. Budgeted amounts are as originally adopted or as amended by the City Council and New Mexico State Department of Finance, Division of Local Governments. Individual amendments were not material in relation to the original appropriations, which were adopted.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
5. Encumbrances are not reported in the budgets or financial statements.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year, the accounting records are kept on a non-GAAP cash basis. Accordingly, revenues and the related assets are recorded when received and expenditures are recorded when paid. The budgetary comparisons are presented on non-GAAP budgetary basis and actual (cash basis).

F. Cash and cash equivalents

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand accounts and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include demand accounts only.

G. Accounts receivable

Accounts receivable balances in the enterprise funds represent amounts due for water, sewer, and solid waste services and receivables in the governmental funds represent amounts due for sales tax, property taxes, franchise fees, etc. collected and due to the City. Bad debt is reserved for in the financial statements when deemed necessary by management.

**STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City has not retroactively capitalized its governmental funds' infrastructure and has no plans to capitalize infrastructure in subsequent years.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|--------------------------------|-------------|
| Buildings and Improvements | 25-50 years |
| Equipment (including software) | 5-10 years |
| Infrastructure | 20 years |

Fund financial statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Compensated absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Equity classifications

Government-wide statements

Equity is classified as net assets in three components:

- a) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City first uses restricted resources then unrestricted resources.

Fund statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Designated funds are for subsequent year expenditures. Proprietary fund equity is classified the same as in the governmental-wide statements.

K. Use of estimates

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

L. Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-term debt (Continued)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

M. Interfund receivables and payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and due from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. There were no amounts due to or due from funds during the year ended June 30, 2008.

II. CASH AND CASH EQUIVALENTS

The collateral pledged is listed on Page 70 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the City. Time deposits, savings deposits and interest bearing Now accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City of Jal does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$529,408 of the City’s bank balance of \$890,407 was exposed to custodial credit risk. The entire balance is collateralized by securities held in the City of Jal’s name.

| | Wells Fargo Demand | Wells Fargo CD’s | Total |
|------------------------------------------------------------------|-------------------------------|-----------------------------|--------------|
| Total amount in bank | \$ 515,407 | \$ 375,000 | \$ 890,407 |
| Less: FDIC insurance | (100,000) | (100,000) | (200,000) |
| Total uninsured public funds | 414,407 | 275,000 | 790,407 |
| 50% collateral requirement | 207,704 | 137,500 | 345,204 |
| Pledged collateral held by the pledging financial institution | 391,908 | 137,500 | 529,408 |
| Uninsured and uncollateralized | \$ - | \$ - | \$ - |

STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008

III. CAPITAL ASSETS

Capital assets as of and for the year ended June 30, 2008, were as follows:

| | <u>Balance at July 1, 2007</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance at June 30, 2008</u> |
|----------------------------------------|------------------------------------|--------------------|------------------|-------------------------------------|
| Governmental activities: | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 53,711 | \$ - | \$ - | \$ 53,711 |
| Capital Assets, being depreciated: | | | | |
| Buildings and improvements | 1,433,848 | - | - | 1,433,848 |
| Equipment | 1,501,067 | 47,281 | - | 1,548,348 |
| Infrastructure | 169,206 | - | - | 169,206 |
| Total at historical cost | <u>3,157,832</u> | <u>47,281</u> | <u>-</u> | <u>3,205,113</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (1,126,500) | (15,807) | - | (1,142,308) |
| Equipment | (1,318,406) | (55,531) | - | (1,373,937) |
| Infrastructure | (12,476) | (6,282) | - | (18,758) |
| Total accumulated depreciation | <u>(2,457,382)</u> | <u>(77,620)</u> | <u>-</u> | <u>(2,535,003)</u> |
| Governmental capital assets, net | <u>\$ 700,450</u> | <u>\$ (30,339)</u> | <u>\$ -</u> | <u>\$ 670,110</u> |
| | <u>Balance at July 1, 2007</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance at June 30, 2008</u> |
| Business-type activities: | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 15,768 | \$ - | \$ - | \$ 15,768 |
| Capital Assets, being depreciated: | | | | |
| Buildings and improvements | 399,478 | - | - | 399,478 |
| Equipment | 82,480 | 34,405 | - | 116,885 |
| Infrastructure | 13,171,401 | - | - | 13,171,401 |
| Total at historical cost | <u>13,669,127</u> | <u>-</u> | <u>-</u> | <u>13,703,532</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (312,376) | (4,453) | - | (316,829) |
| Equipment | (55,088) | (6,386) | - | (61,474) |
| Infrastructure | (12,179,870) | (65,671) | - | (12,245,541) |
| Total accumulated depreciation | <u>(12,547,334)</u> | <u>(76,510)</u> | <u>-</u> | <u>(12,623,844)</u> |
| Business-type capital assets, net | <u>\$ 1,121,793</u> | <u>\$ (42,105)</u> | <u>\$ -</u> | <u>\$ 1,079,688</u> |

Depreciation expense was charged to governmental and business type activities as follows:

| | | | |
|-----------------------------|------------------|----------------------------|------------------|
| General government | \$ 36,866 | Water Management | \$ 38,255 |
| Public safety and judiciary | 12,757 | Wastewater Management | 22,953 |
| Public Works | 13,817 | Solid Waste Management | 15,302 |
| Cultural and recreation | 14,180 | Total depreciation expense | <u>\$ 76,510</u> |
| Total depreciation expense | <u>\$ 77,620</u> | | |

**STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008**

IV. LONG TERM DEBT

The City's long-term debt is segregated between the amount to be repaid from governmental activities and amounts to be repaid from business-type activities. The general fund has typically been used in prior years to liquidate compensated absences.

Governmental activities:

Accrued compensated absences:

| | |
|---------------------|--------------|
| Current portion | \$ - |
| Non-current portion | <u>9,196</u> |

Total governmental activity debt \$ 9,196

Business-type activities:

Accrued compensated absences:

| | |
|---------------------|----------|
| Current portion | \$ 3,149 |
| Non-current portion | <u>-</u> |

Total business-type activity debt \$ 3,149

Long-term debt activity for the year ended June 30, 2008, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--------------------------------------|------------------------------|------------------|-------------------|---------------------------|------------------------------------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 12,472 | \$ 2,472 | \$ 5,748 | \$ 9,196 | \$ - |
| | <u>\$ 12,472</u> | <u>\$ 2,472</u> | <u>\$ 5,748</u> | <u>\$ 9,196</u> | <u>\$ -</u> |
| Business-type Activities: | | | | | |
| Compensated Absences | \$ 3,144 | \$ 984 | \$ 979 | \$ 3,149 | \$ 3,149 |
| | <u>\$ 3,144</u> | <u>\$ 984</u> | <u>\$ 979</u> | <u>\$ 3,149</u> | <u>\$ 3,149</u> |

STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008

V. PERA RETIREMENT PLAN

Substantially all of the City of Jal's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Funding Policy

Plan members are required to contribute 13.15% of their gross salary, and law enforcement members are required to contribute 7% of their gross salary. The City is required to contribute 10% for law enforcement employees and 9.15% for all other employees. The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$61,516, \$118,509, and \$115,460, respectively, equal to the amount of the required contributions for each year.

VI. RETIREE HEALTH CARE ACT CONTRIBUTION

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees. Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires on or before July 1, 1995, in which event the time period for contribution becomes the time between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund a contribution equal to .65% of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to July 1, 1990 or is a former legislator. Participants may also enroll in optional plans of coverage.

STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008

VI. RETIREE HEALTH CARE ACT CONTRIBUTION (Continued)

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, NM 87107.

For the years ended June 30, 2008, 2007, and 2006, the City remitted \$7,383, \$7,044, and \$6,988, in employer contributions and \$3,691, \$3,522, and \$3,494, respectively, in employee contributions to the Retiree Health Care Authority.

VII. RISKS OF LOSS

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has obtained insurance through the Self Insurers Fund operating as a common risk management and insurance program. The City pays an annual premium to the New Mexico Self Insurers Fund and Titan Indemnity Company for its general insurance coverage. The City contributed \$80,157 to the fund during the year ended June 30, 2008.

VIII. DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are no employees that are making contributions to a Deferred Compensation Plan. Neither the City of Jal nor the State of New Mexico make any contributions to the Deferred Compensation Plan.

**STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008**

IX. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP

Budget basis revenues and expenditures differ from revenues and expenses for generally accepted accounting principles (GAAP). Revenues and expenditures on the budget basis are cash basis. Revenues and expenses on a GAAP basis include accounts receivable and accounts payable.

A reconciliation of revenues and expenditures on the budgetary basis of revenues and expenses on a GAAP basis for the fiscal year ended June 30, 2008 follows:

| | General Fund |
|----------------------------------------|-----------------|
| Revenues: | |
| Budgetary basis | \$1,432,086 |
| Prior year accounts receivable accrual | (134,327) |
| Accounts receivable | 98,400 |
| GAAP basis | 1,396,159 |
| Expenditures: | |
| Budgetary basis | 1,394,578 |
| Prior year accounts payable | (13,648) |
| Accounts payable | 71,269 |
| Accrued payroll | 6,903 |
| GAAP basis | 1,459,102 |
| Net change in fund balance | \$ (62,943) |

X. ACCOUNTING STANDARDS

In August 2005, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for financial statements for periods beginning after June 30, 2007. The statement establishes uniform financial reporting standards for OPEB plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, with modifications to reflect differences between pension plans and OPEB plans. The Institute believes it will have no significant effect on the financial statements for the upcoming year.

In August 2005, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 is effective for financial statements for the periods beginning after June 30, 2007. This statement establishes standards for the measurement, recognition, and display of OPEB, expense/expenditures and related liabilities (assets), note disclosures, and if application, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Institute believes it will have no significant effect on the financial statements for the upcoming year.

**STATE OF NEW MEXICO
CITY OF JAL
Notes to the Financial Statements
June 30, 2008**

X. ACCOUNTING STANDARDS (Continued)

In September 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-entity Transfers of Assets and Future Revenues*. This statement is effective for financial statements for the periods beginning after December 15, 2006. This statement establishes the criteria that governments will use to determine whether the proceeds received from the sale or pledge of receivables and future revenue should be reported as revenue or as a liability. The transaction will be treated as collateralized borrowing unless the criteria indicating a sale has taken place are met. The statements stipulate that governments should not revalue assets that are transferred between financial reporting entity components. The Institute is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In December 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Pollution Remedial Obligations*. This statement is effective for financial statements for the periods beginning after December 15, 2007. This statement establishes accounting standards for the recognition and reporting of liabilities related to environmental clean-up efforts. The Institute believes it will have no significant effect on the financial statements for the upcoming year.

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OTHER SUPPLEMENTARY INFORMATION SECTION

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STATE OF NEW MEXICO
CITY OF JAL
Fund Descriptions
June 30, 2008

Special revenue funds:

Youth & aged fund

Accounts for the receipts and expenditures of the Senior Citizens. Financing is provided by the State Agency on Aging, Taxation and Revenue, and federal and state grants.

Law enforcement fund

Accounts for the receipts and expenditures of a special state grant for the police department. The grant may be used only for the operations of the police department. (NMSA 29-13-4)

Corrections fund

Accounts for the operational and maintenance of the public holding cells and corrections facilities. Finances are provided by an assessment on all traffic violations within the city limits. (NMSA 35-14-11)

Cemetery fund

Accounts for the operations and maintenance of the cemetery. Financing is provided by the sale of burial permits and contributions. (NMSA 3-40-1)

Street fund

Accounts for the collection of one half of one percent gross receipts tax for the purpose of improving the City's streets. (NMSA 7-1-69)

Recreation fund

Accounts for the operation and maintenance of recreational facilities in the City. Financing is provided by a specific annual cigarette tax levy. (NMSA 7-12-15)

Emergency medical services (EMS) fund

Accounts for the acquisition of emergency medical equipment and the operation of the equipment financed through a grant from the State of New Mexico. (NMSA 24-10A-1)

State fire fund

Accounts for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. (NMSA 59A-53-1)

Environmental fund

Accounts for receipts and expenditures for the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, wastewater facilities, sewer systems, and related facilities. Financing is provided by an increase in gross receipts tax. (City Ordinance)

STATE OF NEW MEXICO
CITY OF JAL
Combining Balance Sheet
Non-Major Special Revenue Governmental Funds
June 30, 2008

| | Youth & Aged Fund | Law Enforcement Fund | Corrections Fund | Cemetery Fund |
|--------------------------------------------|----------------------------------|-------------------------------------|-----------------------------|--------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 24,321 | \$ 1 | \$ 23,915 | \$ 21,850 |
| Taxes receivable | 9,321 | - | - | - |
| Total assets | \$ 33,642 | \$ 1 | \$ 23,915 | \$ 21,850 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,663 | \$ - | \$ 579 | \$ 93 |
| Total liabilities | 1,663 | - | 579 | 93 |
| Fund balances: | | | | |
| Unreserved, designated for: | | | | |
| Youth & aged fund | 31,979 | - | - | - |
| Law enforcement fund | - | 1 | - | - |
| Corrections fund | - | - | 23,336 | - |
| Cemetery fund | - | - | - | 21,757 |
| Street fund | - | - | - | - |
| Recreation fund | - | - | - | - |
| EMS fund | - | - | - | - |
| State fire fund | - | - | - | - |
| Environmental fund | - | - | - | - |
| Total fund balances | 31,979 | 1 | 23,336 | 21,757 |
| Total liabilities and fund balances | \$ 33,642 | \$ 1 | \$ 23,915 | \$ 21,850 |

| Street Fund | Recreation Fund | EMS Fund | State Fire Fund | Environmental Fund | Total Non-Major Governmental Funds |
|------------------|-----------------|---------------|-----------------|--------------------|------------------------------------|
| \$ 33,993 | \$ 1,197 | \$ 272 | \$ 8,989 | \$ 51,062 | \$ 165,600 |
| 5,330 | 393 | - | - | 1,895 | 16,939 |
| <u>\$ 39,323</u> | <u>\$ 1,590</u> | <u>\$ 272</u> | <u>\$ 8,989</u> | <u>\$ 52,957</u> | <u>\$ 182,539</u> |
| \$ - | \$ - | \$ - | \$ 2,356 | \$ - | \$ 4,691 |
| - | - | - | 2,356 | - | 4,691 |
| - | - | - | - | - | 31,979 |
| - | - | - | - | - | 1 |
| - | - | - | - | - | 23,336 |
| - | - | - | - | - | 21,757 |
| 39,323 | - | - | - | - | 39,323 |
| - | 1,590 | - | - | - | 1,590 |
| - | - | 272 | - | - | 272 |
| - | - | - | 6,633 | - | 6,633 |
| - | - | - | - | 52,957 | 52,957 |
| <u>39,323</u> | <u>1,590</u> | <u>272</u> | <u>6,633</u> | <u>52,957</u> | <u>177,848</u> |
| <u>\$ 39,323</u> | <u>\$ 1,590</u> | <u>\$ 272</u> | <u>\$ 8,989</u> | <u>\$ 52,957</u> | <u>\$ 182,539</u> |

STATE OF NEW MEXICO
CITY OF JAL
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Governmental Funds
For the Year Ended June 30, 2008

| | Youth & Aged Fund | Law Enforcement Fund | Corrections Fund | Cemetery Fund |
|------------------------------------------------------|----------------------|----------------------------|---------------------|------------------|
| REVENUES | | | | |
| General taxes | \$ - | \$ - | \$ - | \$ - |
| State shared taxes | 57,116 | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 48,134 | 22,400 | - | - |
| Charges for sales and services | 31,976 | - | - | 9,428 |
| Fines and forfeits | - | - | 10,928 | - |
| Miscellaneous | 7,544 | 2,116 | 150 | - |
| Interest income | 7,133 | 340 | 356 | 333 |
| Total revenues | 151,903 | 24,856 | 11,434 | 9,761 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | 27,572 | 4,790 | - |
| Culture and recreation | 53,710 | - | - | 5,148 |
| Public works | - | - | - | - |
| Health and welfare | 96,986 | - | - | - |
| Total expenditures | 150,696 | 27,572 | 4,790 | 5,148 |
| Excess (deficiency) of revenues over expenditures | 1,207 | (2,716) | 6,644 | 4,613 |
| Fund balances - beginning of the year | 30,772 | 2,717 | 16,692 | 17,144 |
| Fund balances - end of the year | \$ 31,979 | \$ 1 | \$ 23,336 | \$ 21,757 |

| Street Fund | Recreation Fund | EMS Fund | State Fire Fund | Environmental Fund | Total Non-Major Governmental Funds |
|------------------|-----------------|---------------|-----------------|--------------------|------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 31,157 | 1,947 | - | - | 13,153 | 103,373 |
| - | - | - | - | - | - |
| - | - | 6,000 | 65,438 | - | 141,972 |
| - | - | - | - | - | 41,404 |
| - | - | - | - | - | 10,928 |
| - | - | - | - | - | 9,810 |
| 553 | 48 | 62 | 976 | 827 | 10,628 |
| <u>31,710</u> | <u>1,995</u> | <u>6,062</u> | <u>66,414</u> | <u>13,980</u> | <u>318,115</u> |
| - | - | - | - | - | - |
| 19,411 | - | - | 69,992 | 3,939 | 125,704 |
| - | 5,020 | - | - | - | 63,878 |
| - | - | - | - | - | - |
| - | - | 6,759 | - | - | 103,745 |
| <u>19,411</u> | <u>5,020</u> | <u>6,759</u> | <u>69,992</u> | <u>3,939</u> | <u>293,327</u> |
| 12,299 | (3,025) | (697) | (3,578) | 10,041 | 24,788 |
| <u>27,024</u> | <u>4,615</u> | <u>969</u> | <u>10,211</u> | <u>42,916</u> | <u>153,060</u> |
| <u>\$ 39,323</u> | <u>\$ 1,590</u> | <u>\$ 272</u> | <u>\$ 6,633</u> | <u>\$ 52,957</u> | <u>\$ 177,848</u> |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

Youth and Aged Fund

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|------------------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Gross receipts tax | \$ 65,000 | \$ 60,658 | \$ 60,658 | \$ - |
| Miscellaneous | - | 7,544 | 7,544 | - |
| Meal fees | 28,000 | 31,976 | 31,976 | - |
| Interest | 400 | 7,133 | 7,133 | - |
| State grant | 36,000 | 29,816 | 29,816 | - |
| Federal CILC | 3,000 | 10,237 | 10,237 | - |
| NSIP | - | 7,599 | 7,599 | - |
| Federal IIC2 | - | 482 | 482 | - |
| | <u>132,400</u> | <u>155,445</u> | <u>155,445</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Senior citizens - transportation | 15,000 | 630 | 630 | - |
| Maintenance and repairs | 3,500 | 6,917 | 6,917 | - |
| Summer program | 15,000 | 15,000 | 15,000 | - |
| Maintenance and repairs - little league | 1,000 | 6,600 | 6,600 | - |
| Maintenance and repairs - girls softball | 1,000 | 2,253 | 2,253 | - |
| Senior citizens - contract services | 77,000 | 78,855 | 78,855 | - |
| Teen Center-supplies | - | 1,647 | 1,647 | - |
| Senior citizens - food cost | - | 26,204 | 26,204 | - |
| Operating expenses | 6,900 | 163 | 163 | - |
| Teen center - insurance | - | 500 | 500 | - |
| Communications | 300 | 847 | 847 | - |
| Utilities | 25,000 | 18,495 | 18,495 | - |
| Senior citizens - vehicle insurance | 1,200 | 1,024 | 1,024 | - |
| Park improvements | - | 943 | 943 | - |
| Capital outlays | - | - | - | - |
| | <u>145,900</u> | <u>160,078</u> | <u>160,078</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | (13,500) | (4,633) | <u>\$ (4,633)</u> | <u>\$ -</u> |
| Prior year cash balance | <u>28,955</u> | <u>28,955</u> | | |
| End of the year cash balance | <u>\$ 15,455</u> | <u>\$ 24,322</u> | | |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

Youth and Aged Fund

For the Year Ended June 30, 2008

RECONCILIATION TO GAAP

| | |
|------------------------------------------------------|-----------------|
| Prior year accounts receivable | (12,863) |
| Prior year accounts payable | 11,045 |
| Accounts receivable | 9,321 |
| Accounts payable | <u>(1,663)</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 1,207</u> |

**STATE OF NEW MEXICO
CITY OF JAL**

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended June 30, 2008**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|-----------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| State grants | \$ 22,400 | \$ 22,400 | \$ 22,400 | \$ - |
| Miscellaneous | - | 2,116 | 2,116 | - |
| Interest | - | 341 | 341 | - |
| | 22,400 | 24,857 | 24,857 | - |
| EXPENDITURES | | | | |
| Training | 4,000 | 2,743 | 2,743 | - |
| Training/Reg. | - | 320 | 320 | - |
| Maintenance and repairs | 5,400 | 12,513 | 12,505 | 8 |
| Supplies | 6,000 | 8,913 | 8,913 | - |
| Capital outlay | 7,000 | 3,349 | 3,349 | - |
| | 22,400 | 27,838 | 27,830 | 8 |
| Excess (deficiency) of revenues over expenditures | - | (2,981) | (2,973) | \$ 8 |
| Prior year cash balance | 2,975 | 2,975 | | |
| End of the year cash balance | \$ 2,975 | \$ (6) | | |
| RECONCILIATION TO GAAP | | | | |
| Prior year accounts payable | | | 257 | |
| Excess (deficiency) of revenues over expenditures | | | \$ (2,716) | |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

Corrections Fund

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|-----------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Corrections fees | \$ 14,000 | \$ 10,928 | \$ 10,928 | \$ - |
| Miscellaneous | \$ - | \$ 150 | \$ 150 | |
| Interest | - | 357 | 357 | - |
| | 14,000 | 11,435 | 11,435 | - |
| EXPENDITURES | | | | |
| Operating | 3,000 | 322 | 322 | - |
| Prisoner food and accommodations | 10,000 | 4,433 | 4,433 | - |
| | 13,000 | 4,755 | 4,755 | - |
| Excess (deficiency) of revenues over expenditures | 1,000 | 6,680 | 6,680 | \$ - |
| Prior year cash balance | 17,235 | 17,235 | | |
| End of the year cash balance | \$ 18,235 | \$ 23,915 | | |
| RECONCILIATION TO GAAP | | | | |
| Prior year accounts payable | | | 543 | |
| Accounts payable | | | (579) | |
| Excess (deficiency) of revenues over expenditures | | | \$ 6,644 | |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

Cemetery Fund

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|------------------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Lot sales | \$ 10,000 | \$ 9,428 | \$ 9,428 | \$ - |
| Interest | 3,000 | 333 | 333 | - |
| | <u>13,000</u> | <u>9,761</u> | <u>9,761</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Maintenance and repairs | - | 4,155 | 4,155 | - |
| Supplies | 10,300 | 979 | 979 | - |
| Operating | - | 40 | 40 | - |
| | <u>10,300</u> | <u>5,174</u> | <u>5,174</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | 2,700 | 4,587 | 4,587 | <u>\$ -</u> |
| Prior year cash balance | <u>17,264</u> | <u>17,264</u> | | |
| End of the year cash balance | <u>\$ 19,964</u> | <u>\$ 21,851</u> | | |
| RECONCILIATION TO GAAP | | | | |
| Prior year accounts payable | | | 120 | |
| Accounts payable | | | <u>(94)</u> | |
| Excess (deficiency) of revenues over expenditures | | | <u>\$ 4,613</u> | |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

Street Fund

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|------------------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Gas tax | \$ 23,000 | \$ 31,048 | \$ 31,048 | \$ - |
| State grant | 35,000 | - | - | - |
| Interest | 400 | 552 | 552 | - |
| | <u>58,400</u> | <u>31,600</u> | <u>31,600</u> | <u>-</u> |
| EXPENDITURES | | | | |
| General street repair | - | - | - | - |
| Supplies | 9,000 | 18,742 | 18,742 | - |
| Operating | 14,400 | 32 | 32 | - |
| Capital outlay | 35,000 | 637 | 637 | - |
| | <u>58,400</u> | <u>19,411</u> | <u>19,411</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | - | 12,189 | 12,189 | <u>\$ -</u> |
| Prior year cash balance | <u>21,804</u> | <u>21,804</u> | | |
| End of the year cash balance | <u>\$ 21,804</u> | <u>\$ 33,993</u> | | |
| RECONCILIATION TO GAAP | | | | |
| Prior year accounts receivable | | | (5,220) | |
| Accounts receivable | | | <u>5,330</u> | |
| Excess (deficiency) of revenues over expenditures | | | <u>\$ 12,299</u> | |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

Recreation Fund

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|-----------------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Cigarette tax | \$ 1,000 | \$ 1,816 | \$ 1,816 | \$ - |
| Interest | 120 | 48 | 48 | - |
| | <u>1,120</u> | <u>1,864</u> | <u>1,864</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Operating | 4,000 | 523 | 523 | - |
| Utilities | - | 4,609 | 4,609 | - |
| | <u>4,000</u> | <u>5,132</u> | <u>5,132</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | (2,880) | (3,268) | (3,268) | <u>\$ -</u> |
| Prior year cash balance | <u>4,465</u> | <u>4,465</u> | | |
| End of the year cash balance | <u>\$ 1,585</u> | <u>\$ 1,197</u> | | |
| RECONCILIATION TO GAAP | | | | |
| Prior year accounts receivable | | | (263) | |
| Prior year accounts payable | | | 113 | |
| Accounts receivable | | | <u>393</u> | |
| Excess (deficiency) of revenues over expenditures | | | <u>\$ (3,025)</u> | |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

EMS Fund

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|---------------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| EMS grant | \$ 6,000 | \$ 6,000 | \$ 6,000 | \$ - |
| Interest | 85 | 62 | 62 | - |
| | <u>6,085</u> | <u>6,062</u> | <u>6,062</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Training | 3,000 | 1,725 | 1,725 | - |
| Maintenance and repairs | - | 590 | 481 | 109 |
| Supplies | 3,085 | 3,904 | 3,904 | - |
| Training/Reg. | | 750 | 750 | - |
| | <u>6,085</u> | <u>6,969</u> | <u>6,860</u> | <u>109</u> |
| Excess (deficiency) of revenues over expenditures | - | (907) | (798) | <u>\$ 109</u> |
| Prior year cash balance | <u>1,071</u> | <u>1,071</u> | | |
| End of the year cash balance | <u>\$ 1,071</u> | <u>\$ 164</u> | | |
| RECONCILIATION TO GAAP | | | | |
| Prior year accounts payable | | | <u>101</u> | |
| Excess (deficiency) of revenues over expenditures | | | <u>\$ (697)</u> | |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

State Fire Fund

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|-----------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| State grant | \$ 61,156 | \$ 65,438 | \$ 65,438 | \$ - |
| Interest | 1,000 | 976 | 976 | - |
| | 62,156 | 66,414 | 66,414 | - |
| EXPENDITURES | | | | |
| Training/Mileage | - | 1,158 | 1,158 | - |
| Training | 6,000 | 2,075 | 2,075 | - |
| Transportation | 8,000 | 5,434 | 5,434 | - |
| Training/Reg. | - | 775 | 775 | - |
| Maintenance and repairs | 7,500 | 21,712 | 21,712 | - |
| Supplies | 5,000 | 19,050 | 19,050 | - |
| Operating | 15,000 | 490 | 490 | - |
| Insurance | 10,156 | 10,191 | 10,191 | - |
| Postage | 500 | 200 | 200 | - |
| Dues and Subscriptions | - | 350 | 350 | - |
| Communications | 3,000 | 3,680 | 3,680 | - |
| Utilities | 7,000 | 3,220 | 3,220 | - |
| | 62,156 | 68,335 | 68,335 | - |
| Excess (deficiency) of revenues over expenditures | - | (1,921) | (1,921) | \$ <u>-</u> |
| Prior year cash balance | 10,909 | 10,909 | | |
| End of the year cash balance | \$ 10,909 | \$ 8,988 | | |
| RECONCILIATION TO GAAP | | | | |
| Prior year accounts payable | | | 699 | |
| Accounts payable | | | (2,356) | |
| Excess (deficiency) of revenues over expenditures | | | \$ (3,578) | |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

Environmental Fund

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|------------------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Environmental gross receipts | \$ 12,500 | \$ 13,938 | \$ 13,938 | \$ - |
| Interest | 300 | 827 | 827 | - |
| | <u>12,800</u> | <u>14,765</u> | <u>14,765</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Water user's association | 8,000 | 1,010 | 1,010 | - |
| Contractual services | 6,000 | 2,929 | 2,929 | - |
| | <u>14,000</u> | <u>3,939</u> | <u>3,939</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | (1,200) | 10,826 | 10,826 | <u>\$ -</u> |
| Prior year cash balance | <u>40,237</u> | <u>40,237</u> | | |
| End of the year cash balance | <u>\$ 39,037</u> | <u>\$ 51,063</u> | | |
| RECONCILIATION TO GAAP | | | | |
| Prior year accounts receivable | | | (2,680) | |
| Accounts receivable | | | <u>1,895</u> | |
| Excess (deficiency) of revenues over expenditures | | | <u>\$ 10,041</u> | |

STATE OF NEW MEXICO

CITY OF JAL

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

Water and Sewer Fund

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|----------------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Sales and services | \$ 409,000 | \$ 575,784 | \$ 575,784 | \$ - |
| Connections | 500 | 4,080 | 4,080 | - |
| Governmental gross receipts | 18,000 | 27,790 | 27,790 | - |
| Penalties | 3,500 | 6,580 | 6,580 | - |
| Miscellaneous | 13,700 | 544 | 544 | - |
| Interest | 5,000 | 2,843 | 2,843 | - |
| | <u>449,700</u> | <u>617,621</u> | <u>617,621</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Salaries and wages | 132,807 | 105,476 | 105,476 | - |
| Benefits | 29,421 | 15,951 | 15,951 | - |
| Training | 7,000 | 918 | 918 | - |
| Water billing - drafts | 24,000 | (2,037) | (2,037) | - |
| Transportation | 10,000 | 11,387 | 11,350 | 37 |
| Maintenance and repairs | 92,000 | 181,729 | 181,729 | - |
| Performance agreement | - | 66 | 66 | - |
| Contractual services | - | 4,920 | 4,920 | - |
| Supplies | 10,000 | 12,496 | 12,496 | - |
| Operating | 18,000 | 7,294 | 7,294 | - |
| Gross receipts tax | 18,000 | 26,293 | 26,293 | - |
| Insurance | 23,000 | 23,420 | 23,420 | - |
| Machine rental and postage | 3,000 | 793 | 793 | - |
| Land Lease | - | 2,240 | 2,240 | - |
| Water Testing & Treatment | - | 810 | 810 | - |
| Communications | 90,000 | 78,472 | 78,472 | - |
| Utilities | - | 11,680 | 11,680 | - |
| Debt service | - | - | - | - |
| Water conservation | - | 1,371 | 1,371 | - |
| Capital outlay | - | - | - | - |
| | <u>457,228</u> | <u>483,279</u> | <u>483,242</u> | <u>37</u> |
| Excess (deficiency) of revenues over expenditures | (7,528) | 134,342 | 134,379 | <u>\$ 37</u> |

**STATE OF NEW MEXICO
CITY OF JAL**

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Water and Sewer Fund
For the Year Ended June 30, 2008**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------|------------------|------------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| Prior year cash balance | 142,450 | 142,450 | | |
| End of the year cash balance | \$ 134,922 | \$ 276,792 | | |

RECONCILIATION TO GAAP

| | |
|------------------------------------------------------|------------------|
| Change in accounts receivable | 17,066 |
| Change in accrued payroll | (1,398) |
| Change in accounts payable | (9,622) |
| Change in compensated absences | (6) |
| Capital outlay | 34,405 |
| Depreciation | (76,510) |
| Current year adjustment to fund balance | 78 |
| Excess (deficiency) of revenues over expenditures | <u>\$ 98,392</u> |

**STATE OF NEW MEXICO
CITY OF JAL**

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Solid Waste Fund
For the Year Ended June 30, 2008**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------|----------|-------------------------------------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Convenience center coupon | \$ - | \$ 513 | \$ 513 | \$ - |
| Sales of service | 290,000 | 266,003 | 266,003 | - |
| Misc. | - | 184 | 184 | - |
| Interest | 500 | 597 | 597 | - |
| Governmental gross receipts | 11,500 | 14,524 | 14,524 | - |
| | 302,000 | 281,821 | 281,821 | - |
| EXPENDITURES | | | | |
| Salaries and wages | 28,024 | 44,439 | 44,439 | - |
| Benefits | 10,084 | 7,740 | 7,740 | - |
| Transportation | 2,000 | 5,391 | 5,391 | - |
| Maintenance and repairs | 3,500 | 12,976 | 12,976 | - |
| Contractual services | 250,000 | 230,820 | 230,820 | - |
| Supplies | 2,000 | 2,926 | 2,926 | - |
| Operating | 6,000 | 293 | 293 | - |
| Gross receipts tax | 11,500 | 12,745 | 12,745 | - |
| Insurance | 5,000 | 5,000 | 5,000 | - |
| Machine Rental and Postage | - | 271 | 271 | - |
| | 318,108 | 322,601 | 322,601 | - |
| Excess (deficiency) of revenues over expenditures | (16,108) | (40,780) | (40,780) | \$ - |
| Prior year cash balance | 46,016 | 46,016 | | |
| End of the year cash balance | \$ 29,908 | \$ 5,236 | | |
| RECONCILIATION TO GAAP | | | | |
| Change in accounts receivable | | | 4,346 | |
| Change in accrued payroll | | | (437) | |
| Change in accounts payable | | | 8,322 | |
| Excess (deficiency) of revenues over expenditures | | | \$ (28,549) | |

OTHER SUPPLEMENTAL DATA

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STATE OF NEW MEXICO
CITY OF JAL
Schedule of Changes in Assets and Liabilities - Agency Fund
Fiduciary Funds
For the Year Ended June 30, 2008

| | Balance June 30, 2007 | Additions | Deductions | Balance June 30, 2008 |
|---------------------------|--------------------------|-------------------|-------------------|--------------------------|
| ASSETS | | | | |
| Cash | \$ 1,919 | \$ 122,415 | \$ 121,136 | \$ 3,198 |
| | <u>\$ 1,919</u> | <u>\$ 122,415</u> | <u>\$ 121,136</u> | <u>\$ 3,198</u> |
| LIABILITIES | | | | |
| Due to other taxing units | \$ 1,919 | \$ 122,415 | \$ 121,136 | \$ 3,198 |
| | <u>\$ 1,919</u> | <u>\$ 122,415</u> | <u>\$ 121,136</u> | <u>\$ 3,198</u> |

**STATE OF NEW MEXICO
CITY OF JAL
Schedule of Depository Collateral
For the Year Ended June 30, 2008**

| | Wells Fargo Demand | Wells Fargo CD's | Total |
|------------------------------|-------------------------------|-----------------------------|-------------------|
| Total amount in bank | \$ 515,407 | \$ 375,000 | \$ 890,407 |
| Less: FDIC insurance | (100,000) | (100,000) | (200,000) |
| Total uninsured public funds | 415,407 | 275,000 | 690,407 |
| 50% collateral requirement | 207,704 | 137,500 | 345,204 |
| Pledged security | 391,908 | 137,500 | 529,408 |
| Over (under) collateralized | <u>\$ 184,205</u> | <u>\$ -</u> | <u>\$ 184,205</u> |

| Type | Security Number | CUSIP Number | Maturity Date | FMV |
|-------------|----------------------------|-------------------------|----------------------|-------------------|
| Bond | 002428 | 31368HVG5 | 01/01/09 | \$ 605 |
| Bond | 002146 | 31407HXXH4 | 04/01/36 | 77,371 |
| Bond | 021165 | 31407HZN9 | 05/01/36 | 451,432 |
| | | | | <u>\$ 529,408</u> |

The pledged collateral above is held in trust for the City of Jal in the San Francisco, CA branch of Wells Fargo.

STATE OF NEW MEXICO
CITY OF JAL
Schedule of Individual Deposit Accounts and Investments
For the Year Ended June 30, 2008

| | <u>Type of Account</u> | <u>Bank Balance</u> | <u>Reconciled Balance</u> |
|--------------------|----------------------------|-------------------------|-------------------------------|
| <i>Wells Fargo</i> | | | |
| Interfund | Checking | \$ 478,240 | \$ 1,176,999 |
| Payroll | Checking | 37,167 | 1,327 |
| CD | CD | 300,000 | 300,000 |
| CD | CD | 75,000 | 75,000 |
| Total Wells Fargo | | <u>\$ 890,407</u> | <u>\$ 1,553,326</u> |

**STATE OF NEW MEXICO
CITY OF JAL
Schedule of Joint Powers Agreements
For the Year Ended June 30, 2008**

LEA COUNTY WATER USERS ASSOCIATION - JOINT POWERS AGREEMENT

| | | | |
|------------------------------|---------------------------------------------------|-----------------------------------------------|------------------------------------|
| Participants: | City of Jal Lea County | City of Hobbs City of Eunice | City of Lovington Town of Tatum |
| Responsible party: | City of Jal Lea County | City of Hobbs City of Eunice | City of Lovington Town of Tatum |
| Description: | To create the Lea County Water Users Association. | | |
| Dates of agreement: | Beginning Ending | 11/18/1997 Automatic renewal of two years. | |
| Estimated amount of project: | \$240,000 | | |
| Agency contribution: | 4.20% | | |
| Fiscal agent: | Lea County | | |
| Audit responsibility: | Water User Board | | |

LEA COUNTY SOLID WASTE AUTHORITY - JOINT POWERS AGREEMENT

| | | | |
|------------------------------|------------------------------------------------|-----------------------------------------------|------------------------------------|
| Participants: | City of Jal Lea County | City of Hobbs City of Eunice | City of Lovington Town of Tatum |
| Responsible party: | City of Jal Lea County | City of Hobbs City of Eunice | City of Lovington Town of Tatum |
| Description: | To create the Lea County Solid Waste Authority | | |
| Dates of agreement: | Beginning Ending | 12/12/1994 Automatic renewal of two years. | |
| Estimated amount of project: | Unknown | | |
| Agency contribution: | The City of Jal's cost of trash removal. | | |
| Fiscal agent: | Lea County | | |
| Audit responsibility: | Solid Waste Authority | | |

STATE OF NEW MEXICO
CITY OF JAL
Schedule of Joint Powers Agreements
For the Year Ended June 30, 2008

LEA COUNTY WATER USERS ASSOCIATION - JOINT POWERS AGREEMENT

Participants: City of Jal
Energy, Minerals and Natural Resources Department

Responsible party: City of Jal
Energy, Minerals and Natural Resources Department

Description: Wildland Fire Protection and Suppression

Dates of agreement: Beginning 4/1/2008
Ending Upon written termination

Estimated amount of project: Unknown

Agency contribution: N/A

Fiscal agent: Energy, Minerals and Natural Resources Department

Audit responsibility: City of Jal

STATE OF NEW MEXICO
CITY OF JAL
Schedule of Memorandums of Understanding
For the Year Ended June 30, 2008

VIKKI BELL - MEMORANDUM OF UNDERSTANDING

| | |
|------------------------------|--------------------------------------------------------------------------------------------|
| Participants: | Lea County Municipalities Vikki Bell |
| Responsible party: | Lea County |
| Description: | Professional services contract |
| Dates of agreement: | Beginning 7/1/2004 Ending 06/30/08 unless extended by parties |
| Estimated amount of project: | Unknown |
| Agency contribution: | N/A |
| Fiscal agent: | Lea County |
| Audit responsibility: | Lea County |

COMPLIANCE

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MILLER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
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**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 the Honorable Mayor, City Council,
The City of Jal
and
Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the respective budgetary comparisons and the aggregate remaining fund information of the State of New Mexico, City of Jal (the "City") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 25, 2008. We have also audited the financial statements of each of the City's nonmajor governmental funds and all the budgetary comparisons presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or

report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-1, 2008-2, 2008-3 and 2008-4.

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

This report is intended solely for the information and use of management, the State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance and Administration, others within the entity, and the City Council, and is not intended to be and should not be used by anyone other than these specified parties.

Miller & Associates, C.P.A. P.C.

Miller & Associates, C.P.A., P.C.
November 25, 2008

**STATE OF NEW MEXICO
CITY OF JAL
Schedule of Findings and Responses
June 30, 2008**

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2008-1

PERSONAL USE OF AGENCY VEHICLES

Condition

Employees of the City had vehicles issued to them for work purposes and they were not taxed on the personal use of the vehicle nor was the personal use included in the employees W-2's.

Criteria

IRS Employee Income Tax Rule (Rev. 1.274-5T(k)(3)) states that personal use of a government agency vehicle is always taxable income to the employees unless the vehicles is a qualified non-personal use vehicle provided to the employee as a "working condition fringe benefit."

Cause

City employees used the government's vehicles for personal use without the personal use being included in their W-2 and included in taxable income.

Effect

The City is not in compliance with the IRS Employees Income Tax Rules.

Recommendation

We recommend that the City of Jal implement procedures to ensure that all employees that use government vehicles for personal use have the personal use included in their taxable income.

Agency response

The City of Jal will develop and implement a policy which identifies procedures for including the personal use of government vehicles as taxable income for all City employees who use such vehicles. The policy is to be developed and approved by the governing body of the City of Jal within thirty (30) days of notice of this finding.

**STATE OF NEW MEXICO
CITY OF JAL
Schedule of Findings and Responses
June 30, 2008**

A. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2008-2

FAILURE TO DISCLOSE TO NEW EMPLOYEES THEIR JOB IS NOT COVERED BY SOCIAL SECURITY

Condition

During our examination we noted that the City did not have any employees hired for a position not covered by social security sign the required Social Security Form 1945, which indicates that the City disclosed to the employee that their job is not covered by social security.

Cause

Procedures are not in place to have employees hired for jobs not covered by social security sign Form 1945.

Criteria

New Mexico Audit Rule 2008 2.2.10-H-2-d NMAC states that the Social Security Administration now requires all state and local government employers to disclose to all new employees the fact that their job is not covered by social security if they were hired for a position not covered by social security. These employees must sign a statement that they are aware of a possible reduction in their future Social Security benefit entitlement.

Effect

The City is in violation of New Mexico Audit Rule 2008 2.2.10-H-2-d NMAC Federal Compliance requirement.

Recommendation

The City should initiate a system to ensure that new employees in positions not covered by social security sign Social Security Form 1945 stating that they are aware their job is not covered by social security.

Agency Response

The City of Jal will incorporate the disclosure of and completion of Social Security Form 1945 in its hiring procedures for all future employees who fill positions that are not covered by social security. The City of Jal will ensure that all current employees, who fill positions that are not covered by social security, complete and sign Social Security Form 1945. This is to be accomplished within thirty (30) days of the notice of this finding. All completed Forms 1945 for current and future employees will be kept on file by the City of Jal.

**STATE OF NEW MEXICO
CITY OF JAL
Schedule of Findings and Responses
June 30, 2008**

A. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2008-3

DISASTER RECOVERY PLAN

Condition

The City does not have a disaster recovery plan in place for the computer system. In the event of a disaster, such a plan would contain provisions for alternate supplies and hardware necessary to reduce the risk of interruption of critical business functions.

Cause

The City has never considered the need to implement a disaster recovery plan.

Criteria

Statement of Auditing Standard (SAS) 94, *The Effect of Information Technology on the Auditor's Consideration of Internal Control in a Financial Statement Audit* require the evaluation internal controls related to IT Systems, including the evaluation of disaster recovery plans.

Effect

In the event of a disaster, the City would not be able to minimize the interruption of critical business functions.

Recommendation

The City should implement a disaster recovery plan to ensure that an approved plan is in place for critical applications. Disaster recovery procedures should be tested periodically to ensure recoverability of computer systems.

Agency Response

The City of Jal shall develop and implement a disaster recover plan for its computer system that contains provisions for alternate supplies and hardware necessary to reduce the risk of interruption of critical business functions. The disaster recovery plan will be developed and approved within sixty (60) days of the notice of this finding.

**STATE OF NEW MEXICO
CITY OF JAL
Schedule of Findings and Responses
June 30, 2008**

A. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2008-4

PERSONNEL ACT

Condition

The City does not have a classification plan or a pay plan for all positions in the City's service.

Cause

The City never considered the need to implement a classification of pay plan.

Criteria

New Mexico State Statute 10-9-13 requires that there be a classification plan for all positions in the service and a pay plan for all positions in the service.

Effect

The City haphazardly decides how much and when raises should be handed out.

Recommendation

The City should establish a classification and pay plan for all positions in the City's service.

Agency Response

The City of Jal shall develop and implement a classification and pay plan for all positions in the City's service. The plan shall be completed and approved by the City's governing body within sixty (60) days of the notice of this finding.

B. FINDINGS – PRIOR YEAR AUDIT

| | <u>Condition</u> | <u>Current year status</u> |
|------|------------------|-------------------------------------------|
| 05-2 | Record Keeping | Resolved and not repeated in current year |

**STATE OF NEW MEXICO
CITY OF JAL
Exit Conference
June 30, 2008**

C. EXIT CONFERENCE

The contents of this report were discussed at an exit conference held on November 25, 2008. The following individuals were in attendance:

City of Jal Officials

Alton Dunn, Mayor

Bobbie Sue Bennett, City Clerk-Treasurer

Eva Sanchez, City Manager

Auditor

Ron Miller, Shareholder

D. FINANCIAL STATEMENT PREPARATION

The financial statements of the City of Jal were prepared by Miller & Associates, CPA, P.C. from the original books and records provided by management.