



**Accounting & Consulting Group, LLP**

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Certified Public Accountants

State of New Mexico  
**City of Jal**  
Annual Financial Report  
June 30, 2011



**STATE OF NEW MEXICO**  
**CITY OF JAL**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2011**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
City of Jal  
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For the Year Ended June 30, 2011

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**STATE OF NEW MEXICO**

City of Jal  
Official Roster  
June 30, 2011

<u>Name</u>	<u>City Council</u>	<u>Title</u>
Cheryl Chance		Mayor
Dennis Allen		Councilor
Dewayne Jennings		Councilor
Jack Fletcher		Councilor
Amelia Trevino		Councilor
Phillip Little		Councilor
Johnny Owen II		Councilor
	<u>Administration</u>	
Curtis Schrader		City Manager
Jenny Edwards		City Clerk/Treasurer



**FINANCIAL SECTION**

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Accounting & Consulting Group, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Hector Balderas  
New Mexico State Auditor  
The City Council  
City of Jal  
Jal, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund, Intergovernmental special revenue fund, and the aggregate remaining fund information of the City of Jal (City), as of and for the year ended June 30, 2011, 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, the budgetary comparisons of the proprietary funds and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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.

We were not able to verify balances due to inadequate accounting records relating to the City's capital assets, accumulated depreciation, and depreciation expense accounts as of and for the year ended June 30, 2011. Furthermore, evidence supporting historical cost of capital assets maintained by the City was not available. We were not able to verify either accumulated depreciation at July 1, 2010 or the depreciation expense for the fiscal year ended June 30, 2011. We were unable to determine these amounts through the use of alternative procedures and, as such, are unable to express an opinion on capital assets as of June 30, 2011 and the depreciation accrual for the year then ended. The effect on assets, net assets, and expenses of the governmental and business-type activities is not readily determinable.

In our opinion, except for the effects of the lack of evidence verifying the amount of capital assets, accumulated depreciation, and current year depreciation expenses as described in the preceding paragraph the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 the nonmajor governmental funds of the City as of June 30, 2011 and the respective changes in financial position, thereof and the budgetary comparisons for the proprietary 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 budgetary comparisons of the general fund, the Intergovernmental special revenue fund, and each of the City's nonmajor governmental funds for the year ended June 30, 2011, in conformity with the budgetary basis more fully described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 8, 2012, 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 City has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the City's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying information listed as supporting Schedules I through III in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other opinion units listed above and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements, and those additional opinion units, taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
May 8, 2012

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

City of Jal

Statement of Net Assets

June 30, 2011

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,287,737	\$ 813,843	\$ 2,101,580
Property taxes receivable	9,387	-	9,387
Other taxes receivable	160,589	-	160,589
Customer receivables	-	148,918	148,918
Other receivables	50,724	-	50,724
Total current assets	<u>1,508,437</u>	<u>962,761</u>	<u>2,471,198</u>
Noncurrent assets			
Capital assets	3,809,905	13,740,518	17,550,423
Less: accumulated depreciation	<u>(2,759,610)</u>	<u>(12,866,160)</u>	<u>(15,625,770)</u>
Total noncurrent assets	<u>1,050,295</u>	<u>874,358</u>	<u>1,924,653</u>
Total assets	<u>\$ 2,558,732</u>	<u>\$ 1,837,119</u>	<u>\$ 4,395,851</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 88,814	\$ 27,155	\$ 115,969
Accrued payroll expenses	14,022	10,120	24,142
Accrued compensated absences	4,737	5,629	10,366
Meter deposits	-	49,046	49,046
Accrued interest	936	-	936
Current portion of loans and notes payable	21,707	-	21,707
Total current liabilities	<u>130,216</u>	<u>91,950</u>	<u>222,166</u>
Noncurrent liabilities			
Loans and notes payable	<u>191,604</u>	<u>-</u>	<u>191,604</u>
Total noncurrent liabilities	<u>191,604</u>	<u>-</u>	<u>191,604</u>
Total liabilities	<u>321,820</u>	<u>91,950</u>	<u>413,770</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,050,295	874,358	1,924,653
Restricted for:			
Special revenue	1,186,617	-	1,186,617
Unrestricted	<u>-</u>	<u>870,811</u>	<u>870,811</u>
Total net assets	<u>2,236,912</u>	<u>1,745,169</u>	<u>3,982,081</u>
Total liabilities and net assets	<u>\$ 2,558,732</u>	<u>\$ 1,837,119</u>	<u>\$ 4,395,851</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Jal  
Statement of Activities  
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
General government	\$ 485,163	\$ 57,161	\$ 298,638	\$ -
Public safety	811,533	-	207,971	-
Public works	430,695	-	106,661	-
Culture and recreation	200,488	-	54,288	-
Health and welfare	43,289	-	6,311	-
Interest on long-term debt	5,554	-	-	-
<i>Total governmental activities</i>	<u>1,976,722</u>	<u>57,161</u>	<u>673,869</u>	<u>-</u>
<b>Business-type Activities:</b>				
Water and sewer	742,876	846,141	-	-
Solid waste	333,263	287,969	-	-
<i>Total business-type activities</i>	<u>1,076,139</u>	<u>1,134,110</u>	<u>-</u>	<u>-</u>
<i>Total</i>	<u>\$ 3,052,861</u>	<u>\$ 1,191,271</u>	<u>\$ 673,869</u>	<u>\$ -</u>

**General Revenues:**

Taxes  
Property taxes, levied for general purposes  
Gross receipts taxes  
Gasoline and motor vehicle taxes  
Franchise taxes  
Cigarette and lodger's taxes  
Licenses and fees  
Miscellaneous revenue

Total general revenues and transfers

Change in net assets

Net assets, beginning of year  
Restatement  
Net assets, beginning of year as restated

Net assets, end of year

The accompanying notes are an integral part of these financial statements



<b>Net (Expense) Revenue and Changes in Net Assets</b>		
Primary Government		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (129,364)	\$ -	\$ (129,364)
(603,562)	-	(603,562)
(324,034)	-	(324,034)
(146,200)	-	(146,200)
(36,978)	-	(36,978)
(5,554)	-	(5,554)
<u>(1,245,692)</u>	<u>-</u>	<u>(1,245,692)</u>
-	103,265	103,265
-	(45,294)	(45,294)
<u>-</u>	<u>57,971</u>	<u>57,971</u>
<u>(1,245,692)</u>	<u>57,971</u>	<u>(1,187,721)</u>
95,225	-	95,225
943,941	49,213	993,154
51,166	-	51,166
44,547	-	44,547
509	-	509
149,287	-	149,287
131,325	40,167	171,492
<u>1,416,000</u>	<u>89,380</u>	<u>1,505,380</u>
170,308	147,351	317,659
2,291,604	1,597,818	3,889,422
(225,000)	-	(225,000)
<u>2,066,604</u>	<u>1,597,818</u>	<u>3,664,422</u>
<u>\$ 2,236,912</u>	<u>\$ 1,745,169</u>	<u>\$ 3,982,081</u>

The accompanying notes are an integral part of these financial statements

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## STATE OF NEW MEXICO

City of Jal  
Balance Sheet  
Governmental Funds  
June 30, 2011Exhibit B-1  
Page 1 of 2

	General Fund	Intergovernmental Grants	Other Governmental Funds	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 407,320	\$ 630,592	\$ 249,825	\$ 1,287,737
Receivables:				
Property taxes	9,387	-	-	9,387
Other taxes	139,267	-	21,322	160,589
Other receivables	28,166	5,315	17,243	50,724
<i>Total assets</i>	<u>\$ 584,140</u>	<u>\$ 635,907</u>	<u>\$ 288,390</u>	<u>\$ 1,508,437</u>
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 51,787	\$ 28,671	\$ 8,356	\$ 88,814
Accrued payroll expenses	14,022	-	-	14,022
Deferred revenue	5,446	-	-	5,446
<i>Total liabilities</i>	<u>71,255</u>	<u>28,671</u>	<u>8,356</u>	<u>108,282</u>
<i>Fund balances</i>				
Nonspendable				
Spendable				
Restricted		607,236	-	607,236
Unassigned	512,885	-	280,034	792,919
<i>Total fund balances</i>	<u>512,885</u>	<u>607,236</u>	<u>280,034</u>	<u>1,400,155</u>
<i>Total liabilities and fund balances</i>	<u>\$ 584,140</u>	<u>\$ 635,907</u>	<u>\$ 288,390</u>	<u>\$ 1,508,437</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Jal

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2011

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 1,400,155
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,050,295
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities	5,446
Certain liabilities, including bonds payable and related components, accrued interest, and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest	(936)
Notes payable	<u>(213,311)</u>
Net assets of governmental activities	<u><u>\$ 2,236,912</u></u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit B-2

City of Jal

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2011

	General Fund	Intergovernmental Grants	Other Governmental Funds	Total
<i>Revenues:</i>				
Taxes:				
Property	\$ 94,910	\$ -	\$ -	\$ 94,910
Gross receipts	834,445	-	109,496	943,941
Gasoline and motor vehicle	13,595	-	37,571	51,166
Other	44,886	-	170	45,056
Intergovernmental:				
Federal operating grants	-	-	22,853	22,853
State operating grants	185,710	112,928	352,378	651,016
Charges for services	57,161	-	-	57,161
Licenses and fees	85,570	-	63,717	149,287
Miscellaneous	88,615	-	42,710	131,325
<i>Total revenues</i>	<u>1,404,892</u>	<u>112,928</u>	<u>628,895</u>	<u>2,146,715</u>
<i>Expenditures:</i>				
Current:				
General government	375,326	58,666	16,488	450,480
Public safety	583,350	-	218,450	801,800
Public works	272,866	-	142,140	415,006
Culture and recreation	-	-	186,263	186,263
Health and welfare	36,978	-	6,311	43,289
Capital outlay	32,097	36,132	84,350	152,579
Debt service:				
Principal	-	-	15,064	15,064
Interest	-	-	10,725	10,725
<i>Total expenditures</i>	<u>1,300,617</u>	<u>94,798</u>	<u>679,791</u>	<u>2,075,206</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>104,275</u>	<u>18,130</u>	<u>(50,896)</u>	<u>71,509</u>
<i>Net change in fund balance</i>	104,275	18,130	(50,896)	71,509
<i>Fund balance - beginning of year</i>	408,610	589,106	555,930	1,553,646
<i>Restatement</i>	-	-	(225,000)	(225,000)
<i>Fund balance - beginning of year as restated</i>	<u>408,610</u>	<u>589,106</u>	<u>330,930</u>	<u>1,328,646</u>
<i>Fund balance - end of year</i>	<u>\$ 512,885</u>	<u>\$ 607,236</u>	<u>\$ 280,034</u>	<u>\$1,400,155</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**

City of Jal

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	71,509
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Governmental funds report capital outlays as expenditures. However in  
the statement of activities, the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay		152,579
Depreciation expense		(74,869)

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

Increase in deferred revenue related to property taxes receivable		315
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Expenses in the Statement of Activities that do not require current financial  
resources are not reported as expenditures in the funds:

Decrease in accrued compensated absences		539
Decrease in accrued interest		5,171

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial  
resources to governmental funds, while the repayment of the principal of long-term  
debt consumes the current financial resources of governmental funds. Neither  
transaction, however, has any effect on net assets. Also, governmental funds  
report the effect of premiums and similar items when debt is first issued, whereas  
these amounts are deferred and amortized in the Statement of Activities:

Principal payments on bonds, loans and notes payable		15,064
--	--	--------

Change in net assets of governmental activities	\$	170,308
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## STATE OF NEW MEXICO

Exhibit C-1

City of Jal

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ 100,000	\$ 90,334	\$ 91,251	\$ 917
Gross receipts	650,000	650,000	791,629	141,629
Gasoline and motor vehicle	25,000	25,000	18,143	(6,857)
Other	46,300	42,000	42,488	488
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	210,000	210,000	185,710	(24,290)
State capital grants	-	-	-	-
Charges for services	54,380	54,380	55,961	1,581
Licenses and fees	41,600	41,600	77,668	36,068
Investment income	-	-	-	-
Miscellaneous	95,150	95,150	109,202	14,052
<i>Total revenues</i>	<u>1,222,430</u>	<u>1,208,464</u>	<u>1,372,052</u>	<u>163,588</u>
<i>Expenditures:</i>				
Current:				
General government	295,158	295,158	346,224	(51,066)
Public safety	557,550	557,550	576,772	(19,222)
Public works	195,320	195,320	271,766	(76,446)
Health and welfare	33,380	33,380	35,581	(2,201)
Capital outlay	138,735	138,735	28,043	110,692
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,220,143</u>	<u>1,220,143</u>	<u>1,258,386</u>	<u>(38,243)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,287</u>	<u>(11,679)</u>	<u>113,666</u>	<u>125,345</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(2,287)	11,679	-	(11,679)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(2,287)</u>	<u>11,679</u>	<u>-</u>	<u>(11,679)</u>
<i>Net change in fund balance</i>	-	-	113,666	113,666
<i>Fund balance - beginning of year</i>	-	-	284,515	284,515
<i>Restatement (Note 15)</i>	-	-	9,139	9,139
<i>Fund balance - beginning of year as restated</i>	-	-	293,654	293,654
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,320</u>	<u>\$ 407,320</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 113,666	
Adjustments to revenues for property taxes receivable, other taxes receivable, other receivables and deferred revenue			32,840	
Adjustments to expenditures for accounts payable and accrued payroll			(42,231)	
Net change in fund balance (GAAP)			<u>\$ 104,275</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit C-2

City of Jal

Intergovernmental Grants Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	1,764,774	1,764,774	136,284	(1,628,490)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,764,774</u>	<u>1,764,774</u>	<u>136,284</u>	<u>(1,628,490)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	1,764,774	1,764,774	94,798	1,669,976
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,764,774</u>	<u>1,764,774</u>	<u>94,798</u>	<u>1,669,976</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>41,486</u>	<u>41,486</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	41,486	41,486
<i>Fund balance - beginning of year</i>	-	-	524,877	524,877
<i>Restatement (Note 15)</i>	-	-	64,229	64,229
<i>Fund balance - beginning of year as restated</i>	-	-	589,106	589,106
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,592</u>	<u>\$ 630,592</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 41,486	
Adjustments to revenues for state operating grants			(23,356)	
No adjustments to expenditures			-	
Net change in fund balance (GAAP)			<u>\$ 18,130</u>	

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Exhibit D-1

City of Jal  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 800,536	\$ 13,307	\$ 813,843
Accounts receivable	115,288	33,630	148,918
<i>Total current assets</i>	<u>915,824</u>	<u>46,937</u>	<u>962,761</u>
<i>Noncurrent assets</i>			
Capital assets	13,740,518	-	13,740,518
Accumulated depreciation	(12,866,160)	-	(12,866,160)
<i>Total noncurrent assets</i>	<u>874,358</u>	<u>-</u>	<u>874,358</u>
<i>Total assets</i>	<u>\$ 1,790,182</u>	<u>\$ 46,937</u>	<u>\$ 1,837,119</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 15,191	\$ 11,964	\$ 27,155
Accrued expenses	9,503	617	10,120
Accrued compensated absences	5,629	-	5,629
Meter deposits	49,046	-	49,046
<i>Total current liabilities</i>	<u>79,369</u>	<u>12,581</u>	<u>91,950</u>
<i>Total liabilities</i>	<u>79,369</u>	<u>12,581</u>	<u>91,950</u>
<i>Net assets</i>			
Invested in capital assets, net of related debt	874,358	-	874,358
Unrestricted, undesignated	836,455	34,356	870,811
<i>Total net assets</i>	<u>1,710,813</u>	<u>34,356</u>	<u>1,745,169</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,790,182</u>	<u>\$ 46,937</u>	<u>\$ 1,837,119</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit D-2

City of Jal

## Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2011

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Operating revenues:</i>			
Charges for services	\$ 846,141	\$ 287,969	\$ 1,134,110
<i>Total operating revenues</i>	<u>846,141</u>	<u>287,969</u>	<u>1,134,110</u>
<i>Operating expenses:</i>			
Personnel services	189,760	14,284	204,044
Contractual services	31,185	276,401	307,586
Supplies and purchased power	78,373	-	78,373
Repairs and maintenance	175,217	1,208	176,425
Utilities	141,041	-	141,041
Depreciation	80,772	-	80,772
Other operating expenses	12,226	30,619	42,845
<i>Total operating expenses</i>	<u>708,574</u>	<u>322,512</u>	<u>1,031,086</u>
<i>Operating income (loss)</i>	<u>137,567</u>	<u>(34,543)</u>	<u>103,024</u>
<i>Non-operating revenues (expenses):</i>			
Gross receipts tax income	36,446	12,767	49,213
Gross receipts tax expense	(34,302)	(10,751)	(45,053)
Miscellaneous income	1,542	38,625	40,167
<i>Total non-operating revenues (expenses)</i>	<u>3,686</u>	<u>40,641</u>	<u>44,327</u>
<i>Income (loss) before contributions and transfers</i>	<u>141,253</u>	<u>6,098</u>	<u>147,351</u>
<i>Change in net assets</i>	141,253	6,098	147,351
<i>Total net assets, beginning of year</i>	<u>1,569,560</u>	<u>28,258</u>	<u>1,597,818</u>
<i>Total net assets, end of year</i>	<u>\$ 1,710,813</u>	<u>\$ 34,356</u>	<u>\$ 1,745,169</u>

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, 2011

Exhibit D-3

	Water and Sewer	Solid Waste	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 832,091	\$ 281,246	\$ 1,113,337
Cash payments to employees for services	(181,616)	(14,277)	(195,893)
Cash payments to suppliers for goods and services	(433,336)	(298,433)	(731,769)
<i>Net cash provided by operating activities</i>	217,139	(31,464)	185,675
<i>Cash flows from noncapital financing activities:</i>			
Net gross receipts taxes	2,144	2,016	4,160
Miscellaneous income	1,542	38,625	40,167
Change in noncurrent accrued compensated absences	(600)	-	(600)
<i>Net cash provided (used) by noncapital financing activities</i>	3,086	40,641	43,727
<i>Cash flows from investing activities:</i>			
Interest on investments	-	-	-
<i>Net cash (used) from investing activities</i>	-	-	-
<i>Net increase in cash and cash equivalents</i>	220,225	9,177	229,402
<i>Cash and cash equivalents - beginning of year</i>	580,311	4,130	584,441
<i>Cash and cash equivalents - end of year</i>	\$ 800,536	\$ 13,307	\$ 813,843
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>			
Operating income (loss)	\$ 137,567	\$ (34,543)	\$ 103,024
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	80,772	-	80,772
Changes in assets and liabilities			
Receivables	(14,050)	(6,723)	(20,773)
Accounts payable	4,706	9,795	14,501
Accrued payroll expenses	8,144	7	8,151
<i>Net cash provided by operating activities</i>	\$ 217,139	\$ (31,464)	\$ 185,675

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Jal  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2011

Exhibit E-1

<i>Assets</i>	
Cash	<u>\$ 17,825</u>
<i>Total assets</i>	<u><u>\$ 17,825</u></u>
<i>Liabilities</i>	
Due to other entities	<u>\$ 17,825</u>
<i>Total liabilities</i>	<u><u>\$ 17,825</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies**

The City of Jal (City) was incorporated on March 24, 1950. The City is a municipal corporation governed by an elected mayor and 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 is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The more significant of the City's accounting policies are described below.

**A. Financial Reporting Entity**

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City does not have any component units required to be reported under GASB Statements No. 14 and No. 39.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***B. Government-wide and fund financial statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services provided.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

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 recognized all long-term assets and receivables as well as long-term debt and obligations. 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues, other than property tax revenue, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**C. *Measurement focus, basis of accounting, and financial statement presentation***

Property taxes, franchise taxes, licenses and interest 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. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. The government-wide full accrual basis property tax receivables recognize revenues net of estimated refunds and uncollectible amounts, in the period for which the taxes are levied, even if they are not available. All other revenue items are considered to be measurable and available only when cash is received by the City.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and are susceptible to accrual when the same criteria have been met.

Governmental funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

The *Intergovernmental Grants Special Revenue Fund* accounts for the collection of various intergovernmental grants from the State of New Mexico. Fund authority is City Council.

The City reports its proprietary funds as major funds. Proprietary funds include:

The *Water and Sewer Fund* accounts for the provisions of the water and sewer services to the residents of the City.

The *Solid Waste Fund* accounts for the disposal of solid waste for the residents of the City.

Additionally, the government reports the following agency fund:

The *Fiduciary Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are used to account for the collection and payment of motor vehicle fees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

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



**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments:** The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City did not have investments at June 30, 2011.

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10<sup>th</sup> and April 10<sup>th</sup> are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Lea County and remitted monthly to the City.

**Inventory:** The City's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of supplies and materials. The cost of purchased supplies and materials is recorded as an expenditure at the time individual inventory items are consumed.

**Restricted Assets:** Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the City was a phase III government for purposes of implementation, and accordingly, has prospectively reported infrastructure assets at historical cost as part of the governmental capital assets reported in the government-wide statements as of June 30, 2011. Donated capital assets are recorded at estimated fair market value at the date of donation. The City does not develop any software.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-50
Equipment	5-10
Infrastructure	20

**Accrued Expenses:** Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2011, along with applicable PERA and Retiree Health Care.

**Deferred Revenues:** There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue.

**Compensated Absences:** Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Long-term Obligations:** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond issuance costs are amortized using the straight-line method over the life of the bonds. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, or the straight-line method, if the difference is inconsequential.

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

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:  
Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets:  
Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation 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.”

**Interfund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City’s financial statements include the allowance for uncollectible accounts in the joint utility and solid waste funds.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Commissioners, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Commissioners and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ 2,287	\$ (11,679)
Intergovernmental Grants	-	-
Other Governmental Funds	6,400	10,200
	Change in Net Assets	
Water and Sewer	\$ 10,320	\$ 103,200
Solid Waste	10,100	10,100

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Proprietary Funds.

The City is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2011 is presented.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 3. Deposits and Investments**

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2011.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on Schedule II in 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 Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits, and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts.

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

*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 does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2011, \$1,687,829 of the City's bank balances of \$2,250,964 was exposed to custodial credit risk. \$1,432,006 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name and \$255,823 of the City's deposits were uninsured and uncollateralized. See Schedule of Deposits and Investment Accounts on Schedule I of this report

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 4. Receivables**

Receivables as of June 30, 2011 are as follows:

**Governmental Activities:**

	<u>General</u>	<u>Inter- governmental</u>	<u>Total Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 9,387	\$ -	\$ -	\$ 9,387
Other taxes:				
Gross receipts taxes	139,267	-	18,275	157,542
Gasoline and oil taxes	-	-	3,047	3,047
Other receivables:				
Intergovernmental grants				
State	-	5,315	-	5,315
Miscellaneous	28,166	-	17,243	45,409
Net receivables	<u>\$ 176,820</u>	<u>\$ 5,315</u>	<u>\$ 38,565</u>	<u>\$ 220,700</u>

In accordance with GASB No. 33, the property tax revenues that were not collected within the period of availability, \$5,446, have been reclassified as deferred revenue in the governmental fund financial statements. The above receivables are deemed 100% collectible

**Business-Type Activities:**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Customer receivables	<u>\$ 115,288</u>	<u>\$ 33,630</u>	<u>\$ 148,918</u>

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 5. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

**Governmental Activities:**

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 53,151	\$ -	\$ -	\$ 53,151
Capital assets being depreciated:				
Buildings and improvements	1,433,848	-	-	1,433,848
Equipment	2,001,121	152,579	-	2,153,700
Infrastructure	169,206	-	-	169,206
Total capital assets being depreciated	<u>3,604,175</u>	<u>152,579</u>	<u>-</u>	<u>3,756,754</u>
Accumulated depreciation:				
Buildings and improvements	1,173,922	15,807	-	1,189,729
Equipment	1,477,635	51,849	-	1,529,484
Infrastructure	33,184	7,213	-	40,397
Total accumulated depreciation	<u>2,684,741</u>	<u>74,869</u>	<u>-</u>	<u>2,759,610</u>
Total capital assets, net of depreciation	<u>\$ 972,585</u>	<u>\$ 77,710</u>	<u>\$ -</u>	<u>\$ 1,050,295</u>

Depreciation expense for the year ended June 30, 2011 was charged to governmental activities as follows:

General government	\$ 37,435
Public safety	9,733
Public works	13,476
Culture and recreation	<u>14,225</u>
Total	<u>\$ 74,869</u>

**STATE OF NEW MEXICO**  
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Notes to Financial Statements  
June 30, 2011

**NOTE 5. Capital Assets (continued)**

**Business-type Activities:**

	Balance <u>June 30, 2010</u>	Additions	Deletions	Balance <u>June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 15,768	\$ -	\$ -	\$ 15,768
Capital assets being depreciated:				
Buildings and improvements	399,478	-	-	399,478
Equipment	153,871	-	-	153,871
Infrastructure	13,171,401	-	-	13,171,401
Total capital assets being depreciated	<u>13,724,750</u>	<u>-</u>	<u>-</u>	<u>13,724,750</u>
Accumulated depreciation:				
Buildings and improvements	325,735	4,453	-	330,188
Equipment	82,768	10,647	-	93,415
Infrastructure	12,376,885	65,672	-	12,442,557
Total accumulated depreciation	<u>12,785,388</u>	<u>80,772</u>	<u>-</u>	<u>12,866,160</u>
Total capital assets, net of depreciation	<u>\$ 955,130</u>	<u>\$ (80,772)</u>	<u>\$ -</u>	<u>\$ 874,358</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2011 was \$80,772.

**NOTE 6. Long-term Debt**

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance <u>June 30, 2010</u>	Additions	Retirements	Balance <u>June 30, 2011</u>	Due Within <u>One Year</u>
NMFA Fire Truck Loan	\$ 228,375	\$ -	\$ 15,064	\$ 213,311	\$ 21,707
Compensated Absences	5,276	26,985	27,524	4,737	4,737
Total long-term liabilities	<u>\$ 233,651</u>	<u>\$ 26,985</u>	<u>\$ 42,588</u>	<u>\$ 218,048</u>	<u>\$ 26,444</u>



**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 6. Long-term Debt (continued)**

**NMFA Loans**

On June 19, 2009, the City received a loan from the New Mexico Finance Authority in the amount of \$228,375 for the purchase of a fire truck. The loan is financed over eleven years at 3.55%. The annual requirements to amortize the loan as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 21,707	\$ 5,614	\$ 27,321
2013	22,032	5,290	27,322
2014	22,416	4,906	27,322
2015	22,886	4,434	27,320
2017-2021	23,461	3,860	27,321
2022-2026	100,809	8,477	109,286
	<u>\$ 213,311</u>	<u>\$ 32,581</u>	<u>\$ 245,892</u>

Compensated Absences – Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2011, long-term compensated absences decreased \$539 over the prior year accrual.

In prior years, the general fund has typically been used to liquidate long-term liabilities.

**Proprietary Funds**

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the proprietary statement of net assets:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Compensated Absences	<u>\$ 6,229</u>	<u>\$ 5,891</u>	<u>\$ 6,491</u>	<u>\$ 5,629</u>	<u>\$ 5,629</u>

In prior years, the water and sewer proprietary fund has typically been used to liquidate compensated absences.

STATE OF NEW MEXICO

City of Jal

Notes to Financial Statements

June 30, 2011

**NOTE 7. Risk Management**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The City participates in the New Mexico Self-Insurers' Fund risk pool. The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2011, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

**NOTE 8. PERA Pension Plan**

*Plan Description.* Substantially all of the City'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 Employee 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, survivor 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, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Municipal general member coverage plan 3 members are required to contribute 13.15% of their gross salary. The City is required to contribute 9.15% of the covered salary for "municipal general member coverage plan 3" members. Municipal police coverage plan 1 members are required to contribute 7.00% of their gross salary. The City is required to contribute 10.00% of the covered salary for "municipal police coverage plan 1" members. The contribution requirements of plan members and the City are established in State statute 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 fiscal years ending June 30, 2011, 2010 and 2009 were \$71,070, \$66,911, and \$63,126, respectively.

**NOTE 9. Post-Employment Benefits**

*Plan Description.* The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 9. Post-Employment Benefits (continued)**

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The City's contribution to the RHCA for the years ended June 30, 2011, 2010, and 2009 were \$10,872, \$10,417, and \$7,417, respectively, which equal the required contribution for each year.

**NOTE 10. Contingent Liabilities**

The City is party to various claims and lawsuits in the normal course of business. Management and the City's attorney are unaware of any material pending or threatened litigation, claims or assessments against the City which are not covered by the City's insurance.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 11. Federal and State Grants**

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 12. Joint Powers Agreements and Memorandums of Understanding**

**Lea County Water Users Association**

Participants	City of Jal City of Hobbs City of Lovington City of Eunice Town of Tatum Lea County
Responsible party	City of Jal City of Hobbs City of Lovington City of Eunice Town of Tatum Lea County
Description	To create the Lea County Water Users Association.
Term of agreement	Beginning      11/18/1997 Ending          Automatic renewal every two years
Amount of project	\$240,000 estimated
City contributions	4.20%
Audit responsibility	Water User Board

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 12. Joint Powers Agreements and Memorandums of Understanding (continued)**

**Lea County Solid Waste Authority**

Participants	City of Jal City of Hobbs City of Lovington City of Eunice Town of Tatum Lea County
Responsible party	City of Jal City of Hobbs City of Lovington City of Eunice Town of Tatum Lea County
Description	To create the Lea County Solid Waste Authority.
Term of agreement	Beginning      12/12/1994 Ending          Automatic renewal every two years
Amount of project	Unknown
City contributions	The City of Jal's cost of trash removal.
Audit responsibility	Solid Waste Authority

**Lea County Water Users Association**

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.
Term of agreement	Beginning      4/1/2008 Ending          Upon written termination
Amount of project	Unknown
City contributions	N/A
Audit responsibility	City of Jal

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 12. Joint Powers Agreements and Memorandums of Understanding (continued)**

**Lea County**

Participants	City of Jal Lea County
Responsible party	Lea County
Description	To assist the City with the costs of trash disposal.
Term of agreement	Beginning      7/1/2010 Ending          6/30/11
Amount of project	\$72,000
City contributions	N/A
Audit responsibility	City of Jal

**Lea County**

Participants	City of Jal Lea County
Responsible party	City of Jal
Description	Agreement for housing of City of Jal inmates
Term of agreement	Beginning      7/1/2010 Ending          6/30/11
Amount of project	Unknown
City contributions	\$65.50 per inmate per day
Audit responsibility	City of Jal

**Lea County**

Participants	City of Jal Lea County
Responsible party	Lea County
Description	To assist the City with fire protection, ambulance, library, and senior citizen services.
Term of agreement	Beginning      7/1/2010 Ending          6/30/11
Amount of project	\$90,000
City contributions	N/A
Audit responsibility	City of Jal

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 12. Joint Powers Agreements and Memorandums of Understanding (continued)**

**Vikki Bell**

Participants	City of Jal New Mexico Economic Development Department
Responsible party	City of Jal
Description	To promote economic development within and outside the municipal city limits.
Term of agreement	Beginning      3/10/2009 Ending          6/30/2011
Amount of project	\$250,000 estimated
City contributions	N/A
Audit responsibility	New Mexico Economic Development Department

**NOTE 13. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2011.

General Fund	\$ 38,243
State Fire Special Revenue Fund	266
Cemetery Special Revenue Fund	6,522
Corrections Special Revenue Fund	26
Law Enforcement Special Revenue Fund	5,996
Youth and Aged Special Revenue Fund	26,117
Solid Waste Fund	30,012
	<u>\$ 107,182</u>

**NOTE 14. Restricted Net Assets**

The government-wide statement of net assets reports \$1,553,646 of restricted assets, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue funds, see pages 30 and 51.

**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 15. Restatement**

The City has restated budgetary fund balances due to errors in the cash balances of the prior year financial statements. These restatements are as follows:

Fund Name	Restatement
General Fund	\$ 9,139
EMS Special Revenue Fund	(1,785)
Street Special Revenue Fund	148,600
Intergovernmental Grants Special Revenue Fund	64,229
	<u>\$ 220,183</u>

The City also has restated GAAP fund balance in the State Fire Special Revenue Fund and net assets of the governmental activities. In fiscal year 2009, the City received a grant for \$225,000 for the purchase of a fire truck. The fire truck had not been purchased by the end of 2009 and the cash was held for the City by New Mexico Finance Authority. An entry was made during the 2009 audit to record this cash on the City's general ledger. In fiscal year 2010, the fire truck was purchased but the reduction of cash and increase of capital outlay was not recorded. For fiscal year 2011, this necessitated a restatement of fund balance in the State Fire Special Revenue Fund and net assets of the governmental activities of (\$225,000).

**NOTE 16. Subsequent Pronouncements**

In November 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangement*, effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The City is analyzing the effects that this pronouncement will have on their financial statements.

In December 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations,
2. Accounting Principles Board Opinions, and
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The City is analyzing the effects that this pronouncement will have on their financial statements.



**STATE OF NEW MEXICO**  
City of Jal  
Notes to Financial Statements  
June 30, 2011

**NOTE 16. Subsequent Pronouncements (continued)**

In June 2011 the Governmental Accounting Standards Board (GASB) issued GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The City is analyzing the effects that this pronouncement will have on their financial statements.

In April 2011 the Financial Accounting Standards Board (FASB) issued FASB Codification Accounting Standards Update No. 2011-03, *Reconsideration of Effective Control for Repurchase Agreements*, effective for periods beginning on or after December 15, 2011. The main objective of this Update is to improve the accounting for repurchase agreements (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The City is analyzing the effects that this pronouncement will have on their financial statements.

**NOTE 17. Construction and Other Significant Commitments**

The City entered into an agreement with Smith Engineering to construct a wastewater treatment plant in fiscal year 2008. As of June 30, 2011, the City has an obligation of \$139,892 for this contract.

**NOTE 18. Concentrations**

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and federal and State appropriations.

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**SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO**  
City of Jal  
June 30, 2011  
Nonmajor Governmental Fund Descriptions

**Special Revenue Funds**

EMS

To account for the acquisition of emergency medical equipment and the operation of the equipment. Financing is provided by a grant from the State of New Mexico. Funding authority is NMSA 24-10A-1.

State Fire

To account 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. Funding authority is NMSA 59A-53-1.

Street

To account for the collection of one-half of one percent of the gross receipts tax for the purpose of improving the City's streets. Funding authority is NMSA 7-1-69.

Recreation

To account for the operation and maintenance of recreational facilities in the City. Financing is provided by a specific annual cigarette tax levy. Funding authority is NMSA 7-12-15.

Cemetery

To account for the operations and maintenance of the cemetery. Financing is provided by the sale of burial permits and contributions. Funding authority is NMSA 3-40-1.

Corrections

To account for the operations and maintenance of the public holding cells and corrections facilities. Financing is provided by an assessment on all traffic violations within the City limits. Funding authority is NMSA 35-14-11.

Law Enforcement

To account for the receipts and expenditures of a special state grant for the police department. The grant may only be used for the operations of the police department. Funding authority is NMSA 29-13-4.

Youth and Aged

To account for the receipts and expenditures of the senior citizens. Financing is provided by the State Agency on Aging, New Mexico Department of Taxation and Revenue, and federal and state grants. This fund is authorized by City Ordinance.

Environmental

To account for the 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. This fund is authorized by City Ordinance.

**STATE OF NEW MEXICO**  
City of Jal  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2011

	Special Revenue			
	EMS	State Fire	Street	Recreation
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 36,116	\$ 66,009	\$ 5,764
Receivables:				
Other taxes	-	-	3,047	-
Other receivables	-	11,718	-	-
<i>Total assets</i>	\$ -	\$ 47,834	\$ 69,056	\$ 5,764
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 6,345	\$ -	\$ -
<i>Total liabilities</i>	-	6,345	-	-
<i>Fund balances</i>				
Nonspendable				
Spendable				
Restricted	-	41,489	69,056	5,764
<i>Total fund balances</i>	-	41,489	69,056	5,764
<i>Total liabilities and fund balances</i>	\$ -	\$ 47,834	\$ 69,056	\$ 5,764

The accompanying notes are an integral part of these financial statements

Special Revenue					Total Nonmajor Governmental Funds
Cemetery	Corrections	Law Enforcement	Youth and Aged	Environmental	
\$ 23,296	\$ 17,334	\$ -	\$ -	\$ 101,306	\$ 249,825
-	-	-	15,124	3,151	21,322
-	3,095	-	2,430	-	17,243
<u>\$ 23,296</u>	<u>\$ 20,429</u>	<u>\$ -</u>	<u>\$ 17,554</u>	<u>\$ 104,457</u>	<u>\$ 288,390</u>
\$ 17	\$ 165	\$ -	\$ 1,829	\$ -	\$ 8,356
<u>17</u>	<u>165</u>	<u>-</u>	<u>1,829</u>	<u>-</u>	<u>8,356</u>
<u>23,279</u>	<u>20,264</u>	<u>-</u>	<u>15,725</u>	<u>104,457</u>	<u>280,034</u>
<u>23,279</u>	<u>20,264</u>	<u>-</u>	<u>15,725</u>	<u>104,457</u>	<u>280,034</u>
<u>\$ 23,296</u>	<u>\$ 20,429</u>	<u>\$ -</u>	<u>\$ 17,554</u>	<u>\$ 104,457</u>	<u>\$ 288,390</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Jal  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2011

	Special Revenue			
	EMS	State Fire	Street	Recreation
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	37,571	-
Other	-	-	-	170
Intergovernmental:				
Federal operating grants	-	-	-	-
State operating grants	6,311	184,971	106,661	-
Licenses and fees	-	-	-	-
Miscellaneous	-	11,718	-	-
<i>Total revenues</i>	<u>6,311</u>	<u>196,689</u>	<u>144,232</u>	<u>170</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	191,345	-	-
Public works	-	-	142,140	-
Culture and recreation	-	-	-	-
Health and welfare	6,311	-	-	-
Capital outlay	-	-	66,363	-
Debt service:				
Principal	-	15,064	-	-
Interest	-	10,725	-	-
<i>Total expenditures</i>	<u>6,311</u>	<u>217,134</u>	<u>208,503</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(20,445)</u>	<u>(64,271)</u>	<u>170</u>
<i>Net change in fund balances</i>	-	(20,445)	(64,271)	170
<i>Fund balances - beginning of year</i>	-	286,934	133,327	5,594
<i>Restatement (Note 15)</i>	-	(225,000)	-	-
<i>Fund balances - beginning of year as restated</i>	<u>-</u>	<u>61,934</u>	<u>133,327</u>	<u>5,594</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 41,489</u>	<u>\$ 69,056</u>	<u>\$ 5,764</u>

The accompanying notes are an integral part of these financial statements



Special Revenue					Total Nonmajor Governmental Funds
Cemetery	Corrections	Law Enforcement	Youth and Aged	Environmental	
\$ -	\$ -	\$ -	\$ 90,618	\$ 18,878	\$ 109,496
-	-	-	-	-	37,571
-	-	-	-	-	170
-	-	-	22,853	-	22,853
-	-	23,000	31,435	-	352,378
-	26,977	-	36,740	-	63,717
12,323	-	-	18,669	-	42,710
<u>12,323</u>	<u>26,977</u>	<u>23,000</u>	<u>200,315</u>	<u>18,878</u>	<u>628,895</u>
16,488	-	-	-	-	16,488
-	6,087	21,018	-	-	218,450
-	-	-	-	-	142,140
-	-	-	186,263	-	186,263
-	-	-	-	-	6,311
-	-	7,978	10,009	-	84,350
-	-	-	-	-	15,064
-	-	-	-	-	10,725
<u>16,488</u>	<u>6,087</u>	<u>28,996</u>	<u>196,272</u>	<u>-</u>	<u>679,791</u>
<u>(4,165)</u>	<u>20,890</u>	<u>(5,996)</u>	<u>4,043</u>	<u>18,878</u>	<u>(50,896)</u>
(4,165)	20,890	(5,996)	4,043	18,878	(50,896)
27,444	(626)	5,996	11,682	85,579	555,930
-	-	-	-	-	(225,000)
<u>27,444</u>	<u>(626)</u>	<u>5,996</u>	<u>11,682</u>	<u>85,579</u>	<u>330,930</u>
<u>\$ 23,279</u>	<u>\$ 20,264</u>	<u>\$ -</u>	<u>\$ 15,725</u>	<u>\$ 104,457</u>	<u>\$ 280,034</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-1

City of Jal

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	7,224	7,224	6,311	(913)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>7,224</u>	<u>7,224</u>	<u>6,311</u>	<u>(913)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	7,224	7,224	6,311	913
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>7,224</u>	<u>7,224</u>	<u>6,311</u>	<u>913</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	1,785	-
<i>Restatement (Note 15)</i>	-	-	(1,785)	-
<i>Fund balance - beginning of year as restated</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments to revenues			-	
Adjustments to expenditures for accounts payable			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-2

City of Jal

State Fire Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	\$ 211,959	\$ 211,959	\$ 184,971	\$ (26,988)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>211,959</u>	<u>211,959</u>	<u>184,971</u>	<u>(26,988)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	111,959	111,959	93,102	18,857
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	100,000	100,000	93,334	6,666
<i>Debt service:</i>				
Principal	-	-	15,064	(15,064)
Interest	-	-	10,725	(10,725)
<i>Total expenditures</i>	<u>211,959</u>	<u>211,959</u>	<u>212,225</u>	<u>(266)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(27,254)</u>	<u>(27,254)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(27,254)</u>	<u>(27,254)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>63,370</u>	<u>63,370</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,116</u>	<u>\$ 36,116</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (27,254)	
No adjustments to revenues			11,718	
Adjustments to expenditures for accounts payable			(4,909)	
Net change in fund balance (GAAP)			<u>\$ (20,445)</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-3

City of Jal

Street Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	33,500	33,500	34,524	1,024
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	341,207	341,207	106,661	(234,546)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>374,707</u>	<u>374,707</u>	<u>141,185</u>	<u>(233,522)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	33,500	33,500	37,209	(3,709)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	341,207	341,207	180,132	161,075
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>374,707</u>	<u>374,707</u>	<u>217,341</u>	<u>157,366</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(76,156)	(76,156)
<i>Net change in fund balance</i>	-	-	(76,156)	(76,156)
<i>Fund balance - beginning of year</i>	-	-	(6,435)	142,165
<i>Restatement (Note 15)</i>	-	-	148,600	66,009
<i>Fund balance - beginning of year as restated</i>	-	-	142,165	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,009</u>	<u>\$ 66,009</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (76,156)	
No adjustments to revenues			3,047	
Adjustments to expenditures for accounts payable			8,838	
Net change in fund balance (GAAP)			<u>\$ (64,271)</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-4

City of Jal

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	2,000	4,000	334	(3,666)
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,000</u>	<u>4,000</u>	<u>334</u>	<u>(3,666)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	1,800	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>200</u>	<u>4,000</u>	<u>334</u>	<u>(3,666)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(200)	(4,000)	-	4,000
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(200)</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
<i>Net change in fund balance</i>	-	-	334	334
<i>Fund balance - beginning of year</i>	-	-	5,430	5,430
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,764</u>	<u>\$ 5,764</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 334	
Adjustments to revenues for other taxes receivable			(164)	
No adjustments to expenditures			-	
Net change in fund balance (GAAP)			<u>\$ 170</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-5

City of Jal

Cemetery Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	10,000	10,000	12,323	2,323
<i>Total revenues</i>	<u>10,000</u>	<u>10,000</u>	<u>12,323</u>	<u>2,323</u>
<i>Expenditures:</i>				
Current:				
General government	10,000	10,000	16,522	(6,522)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,000</u>	<u>10,000</u>	<u>16,522</u>	<u>(6,522)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(4,199)	(4,199)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(4,199)	(4,199)
<i>Fund balance - beginning of year</i>	-	-	27,495	27,495
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,296</u>	<u>\$ 23,296</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (4,199)	
No adjustments to revenues			-	
Adjustments to expenditures for accounts payable			34	
Net change in fund balance (GAAP)			<u>\$ (4,165)</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-6

City of Jal

Corrections Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	12,000	12,000	25,049	13,049
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,000</u>	<u>12,000</u>	<u>25,049</u>	<u>13,049</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	6,000	6,000	6,026	(26)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,000</u>	<u>6,000</u>	<u>6,026</u>	<u>(26)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>6,000</u>	<u>6,000</u>	<u>19,023</u>	<u>13,023</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(6,000)	(6,000)	-	6,000
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>
<i>Net change in fund balance</i>	-	-	19,023	19,023
<i>Fund balance - beginning of year</i>	-	-	(1,689)	(1,689)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,334</u>	<u>\$ 17,334</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 19,023	
Adjustments to revenues for other receivables			1,928	
Adjustments to expenditures for accounts payable			(61)	
Net change in fund balance (GAAP)			<u>\$ 20,890</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-7

City of Jal

Law Enforcement Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	23,000	23,000	23,000	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	200	200	-	(200)
<i>Total revenues</i>	<u>23,200</u>	<u>23,200</u>	<u>23,000</u>	<u>(200)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	17,600	17,600	21,018	(3,418)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	5,400	5,400	7,978	(2,578)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>23,000</u>	<u>23,000</u>	<u>28,996</u>	<u>(5,996)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>200</u>	<u>200</u>	<u>(5,996)</u>	<u>(6,196)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(200)	(200)	-	200
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(200)</u>	<u>(200)</u>	<u>-</u>	<u>200</u>
<i>Net change in fund balance</i>	-	-	(5,996)	(5,996)
<i>Fund balance - beginning of year</i>	-	-	5,996	5,996
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (5,996)	
No adjustments to revenues			(4,686)	
Adjustments to expenditures for accounts payable			4,686	
Net change in fund balance (GAAP)			<u>\$ (5,996)</u>	

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement B-8

City of Jal

Youth and Aged Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	65,000	65,000	85,969	20,969
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	25,000	25,000	22,166	(2,834)
Federal capital grants	-	-	-	-
State operating grants	30,000	30,000	33,031	3,031
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	35,000	35,000	36,740	1,740
Investment income	-	-	-	-
Miscellaneous	15,000	15,000	18,669	3,669
<i>Total revenues</i>	<u>170,000</u>	<u>170,000</u>	<u>196,575</u>	<u>26,575</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	160,000	160,000	186,108	(26,108)
Health and welfare	-	-	-	-
Capital outlay	10,000	10,000	10,009	(9)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>170,000</u>	<u>170,000</u>	<u>196,117</u>	<u>(26,117)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	458	458
<i>Net change in fund balance</i>	-	-	458	458
<i>Fund balance - beginning of year</i>	-	-	(458)	(458)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 458	
Adjustments to revenues for other taxes receivable and other receivables			3,740	
Adjustments to expenditures for accounts payable			(155)	
Net change in fund balance (GAAP)			<u>\$ 4,043</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-9

City of Jal

Environmental Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	12,300	12,300	17,910	5,610
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,300</u>	<u>12,300</u>	<u>17,910</u>	<u>5,610</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	12,300	12,300	-	12,300
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>12,300</u>	<u>12,300</u>	<u>-</u>	<u>12,300</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>17,910</u>	<u>17,910</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>17,910</u>	<u>17,910</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>83,396</u>	<u>83,396</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,306</u>	<u>\$ 101,306</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 17,910	
Adjustments to revenues for other taxes receivable			968	
No adjustments to expenditures			-	
Net change in fund balance (GAAP)			<u>\$ 18,878</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-1

City of Jal

Statement of Revenues, Expenses and Changes in Net Assets  
 Budget (GAAP Basis) and Actual  
 Water and Sewer Fund  
 For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 784,700	\$ 784,700	\$ 846,141	\$ 61,441
<i>Total operating revenues</i>	<u>784,700</u>	<u>784,700</u>	<u>846,141</u>	<u>61,441</u>
<i>Operating expenses:</i>				
Personnel services	230,500	230,500	189,760	40,740
Contractual services	32,000	32,000	31,185	815
Supplies and purchased power	90,000	90,000	78,373	11,627
Repairs and maintenance	127,000	127,000	175,217	(48,217)
Utilities	130,000	130,000	141,041	(11,041)
Other operating expenses	69,500	69,500	12,226	57,274
<i>Total operating expenses</i>	<u>679,000</u>	<u>679,000</u>	<u>627,802</u>	<u>51,198</u>
<i>Operating income (loss)</i>	<u>105,700</u>	<u>105,700</u>	<u>218,339</u>	<u>112,639</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts tax income	34,500	34,500	36,446	1,946
Gross receipts tax expense	(37,500)	(37,500)	(34,302)	3,198
Investment income	-	-	-	-
Interest expense	-	-	-	-
Miscellaneous income	500	500	1,542	1,042
<i>Total non-operating revenues (expenses)</i>	<u>(2,500)</u>	<u>(2,500)</u>	<u>3,686</u>	<u>6,186</u>
<i>Government contributions and transfers</i>				
Government contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total government contributions and transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	103,200	103,200	222,025	118,825
Designated cash (budgeted cash increase)	(103,200)	(103,200)	-	103,200
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,569,560</u>	<u>1,569,560</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,791,585</u>	<u>\$ 1,791,585</u>
<i>Change in net assets, above</i>			\$ 222,025	
Depreciation			<u>(80,772)</u>	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ 141,253</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-2

City of Jal

## Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

Solid Waste Fund

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 265,100	\$ 265,100	\$ 287,969	\$ 22,869
<i>Total operating revenues</i>	<u>265,100</u>	<u>265,100</u>	<u>287,969</u>	<u>22,869</u>
<i>Operating expenses:</i>				
Personnel services	19,000	19,000	14,284	4,716
Contractual services	270,000	270,000	276,401	(6,401)
Supplies and purchased power	-	-	0	-
Repairs and maintenance	2,000	2,000	1,208	792
Utilities	-	-	-	-
Other operating expenses	1,500	1,500	30,619	(29,119)
<i>Total operating expenses</i>	<u>292,500</u>	<u>292,500</u>	<u>322,512</u>	<u>(30,012)</u>
<i>Operating income (loss)</i>	<u>(27,400)</u>	<u>(27,400)</u>	<u>(34,543)</u>	<u>(7,143)</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts tax income	12,500	12,500	12,767	267
Gross receipts tax expense	(15,000)	(15,000)	(10,751)	4,249
Investment income	-	-	-	-
Interest expense	-	-	-	-
Miscellaneous income	40,000	40,000	38,625	(1,375)
<i>Total non-operating revenues (expenses)</i>	<u>37,500</u>	<u>37,500</u>	<u>40,641</u>	<u>3,141</u>
<i>Government contributions and transfers</i>				
Government contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total government contributions and transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	10,100	10,100	6,098	(4,002)
Designated cash (budgeted cash increase)	(10,100)	(10,100)	-	10,100
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>28,258</u>	<u>28,258</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,356</u>	<u>\$ 34,356</u>
<i>Change in net assets, above</i>			\$ 6,098	
Depreciation			<u>-</u>	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ 6,098</u>	

The accompanying notes are an integral part of these financial statements

**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
City of Jal  
Schedule of Deposit and Investment Accounts  
June 30, 2011

Schedule I

Bank Account Type/Name	Wells Fargo Bank Bank	NMFA	Totals
<b>Deposits</b>			
Interfund-Checking	\$ 1,810,618	\$ -	\$ 1,810,618
Payroll-Checking	34,034	-	34,034
Jal Economic Development - Checking	387	-	387
EMS Donations - Checking	449	-	449
Municipal Court - Checking	14,234	-	14,234
Trust Account - Checking	-	14,031	14,031
Certificate of Deposit	300,000	-	300,000
Certificate of Deposit	77,211	-	77,211
Total amount of deposits in bank	<u>2,236,933</u>	<u>14,031</u>	<u>2,250,964</u>
Less: FDIC coverage	<u>549,104</u>	<u>14,031</u>	<u>563,135</u>
Total uninsured public funds	<u>1,687,829</u>	<u>-</u>	<u>1,687,829</u>
50% collateral requirements	<u>843,915</u>	<u>-</u>	<u>843,915</u>
Pledged securities	<u>1,432,006</u>	<u>-</u>	<u>1,432,006</u>
Over/(under) collateralized	<u>588,092</u>	<u>-</u>	<u>588,092</u>
<b>Bank balance</b>	<u>2,236,933</u>	<u>14,031</u>	<u>2,250,964</u>
Outstanding items	(131,709)	-	(131,709)
Deposits in transit	-	-	-
Other adjustments	-	-	-
<b>Book balance</b>	<u><u>\$ 2,105,224</u></u>	<u><u>\$ 14,031</u></u>	<u><u>\$ 2,119,255</u></u>
Plus: Petty cash			<u>150</u>
Total deposits and investments			<u><u>\$ 2,119,405</u></u>
Cash and cash equivalents and investments per financial statements:			
Governmental Activities - Exhibit A-1			1,287,737
Business-type Activities - Exhibit A-1			813,843
Agency funds - Exhibit E-1			<u>17,825</u>
Total cash and cash equivalents and investments			<u><u>\$ 2,119,405</u></u>

See independent auditors' report

**STATE OF NEW MEXICO**  
City of Jal  
Schedule of Collateral Pledged By Depository  
For Public Funds  
June 30, 2011

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2011
<b>Wells Fargo Bank</b>				
	FNMA 831480	04/01/36	31407HXX4	\$ 264,201
	FNMA 831549	05/01/36	31407HZN9	468,702
	FNMA 959596	11/01/37	31413YRR4	248,987
	FNMA 985111	07/01/38	31415PKY3	26,244
	FNMA 986804	07/01/38	31415RGM0	190,220
	FNMA 919329	05/01/37	31412ALJ1	30,539
	FNMA AD9666	08/01/25	31415XW46	12,418
	FNMA 896547	07/01/36	31410TBQ7	62,745
	FNMA 983363	08/01/38	31415LML8	127,950
	Total Pledged Collateral			<u><u>\$ 1,432,006</u></u>

The location of the safekeeper of the above securities is 333 Market Street 17th Floor, San Francisco, CA.

**STATE OF NEW MEXICO**  
City of Jal  
Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2011

Schedule III

	Balance at June 30, 2010	Receipts	Disbursements	Balance at June 30, 2011
<i>Motor Vehicle</i>				
Assets				
Cash and cash equivalents	\$ 2,474	\$ 17,268	\$ 16,987	\$ 2,755
<i>Total assets</i>	<u>\$ 2,474</u>	<u>\$ 17,268</u>	<u>\$ 16,987</u>	<u>\$ 2,755</u>
Liabilities				
Deposits held in trust for others	\$ 2,474	\$ 17,268	\$ 16,987	\$ 2,755
<i>Total liabilities</i>	<u>\$ 2,474</u>	<u>\$ 17,268</u>	<u>\$ 16,987</u>	<u>\$ 2,755</u>
<i>Municipal Court</i>				
Assets				
Cash and cash equivalents	\$ -	\$ 125,340	\$ 111,106	\$ 14,234
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 125,340</u>	<u>\$ 111,106</u>	<u>\$ 14,234</u>
Liabilities				
Deposits held in trust for others	\$ -	\$ 125,340	\$ 111,106	\$ 14,234
<i>Total liabilities</i>	<u>\$ -</u>	<u>\$ 125,340</u>	<u>\$ 111,106</u>	<u>\$ 14,234</u>
<i>EMS Donations</i>				
Assets				
Cash and cash equivalents	\$ -	\$ 978	\$ 529	\$ 449
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 978</u>	<u>\$ 529</u>	<u>\$ 449</u>
Liabilities				
Deposits held in trust for others	\$ -	\$ 978	\$ 529	\$ 449
<i>Total liabilities</i>	<u>\$ -</u>	<u>\$ 978</u>	<u>\$ 529</u>	<u>\$ 449</u>
<i>Economic Development</i>				
Assets				
Cash and cash equivalents	\$ -	\$ 417	\$ 30	\$ 387
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 417</u>	<u>\$ 30</u>	<u>\$ 387</u>
Liabilities				
Deposits held in trust for others	\$ -	\$ 417	\$ 30	\$ 387
<i>Total liabilities</i>	<u>\$ -</u>	<u>\$ 417</u>	<u>\$ 30</u>	<u>\$ 387</u>

See independent auditors' report



**COMPLIANCE SECTION**

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Accounting & Consulting Group, LLP  
Certified Public Accountants

**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**

Hector Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The City Council  
City of Jal  
Jal, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds and the aggregate remaining fund information of the City of Jal (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated May 8, 2012. We have also audited the financial statements of each of the City's nonmajor governmental funds, the budgetary comparisons for the proprietary funds and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 as listed in the table of contents. We qualified our opinion because we were unable to verify capital assets, accumulated depreciation and current year depreciation expense. 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS 2009-1, FS 2009-8, FS 2009-9, FS 2009-26, FS 2009-34, FS 2009-37, FS 2010-3, FS 2011-1, and FS 2011-2 to be material weaknesses.

## 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*, which are described in the accompanying schedule of findings and responses as FS 2009-7 and FS 2010-2.

We also noted a certain other matter that is required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and responses as item FS 2008-3, FS 2009-6, FS 2010-4, and FS 2010-5.

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 responses and, accordingly, we express no opinion on them.

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
May 8, 2012

**STATE OF NEW MEXICO**  
City of Jal  
Schedule of Findings and Responses  
June 30, 2011

**Section I – Summary of Audit Results**

*Financial Statements:*

- |  |           |
|--|-----------|
| 1. Type of auditors' report issued   | Qualified |
| 1. Internal control over financial reporting:                                    |           |
| a. Material weaknesses identified?   | Yes       |
| b. Significant deficiencies identified not considered to be material weaknesses? | No        |
| c. Noncompliance material to the financial statements noted?                     | Yes       |

**Section II – Financial Statement Findings**

**FS2008-3 Disaster Recovery Plan (Other)**

*Condition:* The City does not have a disaster recovery plan in place for their 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.

*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 of 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.

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

*Auditors' 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.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The new financial/accounting/utility software system that the City purchased and implemented in 2011 provides for disaster recovery.

**Section II – Financial Statement Findings (continued)**

**FS2009-1 Record Keeping (Material Weakness)**

*Condition:* Activity for the municipal court, NMFA loan, EMS donations, and economic development funds and cash held for these funds were not recorded in a general ledger overseen by the City Treasurer.

*Criteria:* Section 6-6-3 of the New Mexico Statutes states that every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the local government division.

*Effect:* The City of Jal's financial statements may not reflect all activity and balances.

*Cause:* The CDBG and economic development funds are maintained by the Special Projects Coordinator throughout the year and this activity is not shared with the City Treasurer.

*Auditors' Recommendation:* The City should implement procedures to ensure that all activity the City is responsible for is properly recorded in the general ledger and subject to the control of the City Treasurer.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS2009-6 Late Audit Report (Other)**

*Condition:* The City's June 30, 2011 audit report was not submitted to the Office of the State Auditor by the December 1, 2011 deadline.

*Criteria:* New Mexico State Auditor Rule 2.2.2 NMAC Section 2.2.2.9 (A) requires that the audit report be filed by December 1<sup>st</sup>.

*Effect:* The City is not in compliance with state requirements and this could have an effect on their funding.

*Cause:* The City's prior year audit was very late getting completed and this delayed the completion of the 2011 audit.

*Auditors' Recommendation:* The City should implement procedures to ensure that the books are kept in good order to enable auditing procedures to be performed on a timely basis.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.



**STATE OF NEW MEXICO**  
City of Jal  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings (continued)**

**FS2009-7 Expenditures in Excess of Budget (Other)**

*Condition:* The City over expended its budget in the following funds:

General Fund	\$ 38,243
State Fire Special Revenue Fund	266
Cemetery Special Revenue Fund	6,522
Corrections Special Revenue Fund	26
Law Enforcement Special Revenue Fund	5,996
Youth and Aged Special Revenue Fund	26,117
Solid Waste Fund	30,012
	<u>\$ 107,182</u>

*Criteria:* Section 6-6-6 NMSA, 1978 requires that the City keep expenditures within the budgeted amounts.

*Effect:* Improper management of budgets can create cash short falls.

*Cause:* High turnover in all departments has created inconsistencies in following City procedures.

*Auditors' Recommendation:* We recommend the City establish policies and procedures governing the budgetary process and monitoring of the budget to properly prepare and adjust the budget in order to authorize all expenditures.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS2009-8 Auditor Prepared Financial Statements (Material Weakness)**

*Condition:* The financial statements and related disclosures are not being prepared by the City. The City does not have a procedure in place to detect and correct material misstatements in the financial statements.

*Criteria:* According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosures. The fact that the auditor prepares the financial statements may mean they are correct, but it doesn't eliminate the control deficiency.

*Effect:* The City has a control deficiency since there are not sufficient controls over the preparation of financial statements and related disclosures. The risk of material misstatement of the financial statements is increased by the lack of control procedures over the preparation of the City's financial statements.

*Cause:* City personnel do not have the time and have not been training in the preparation of financial statements and related disclosures.

*Auditors' Recommendation:* We recommend that management and personnel receive training on preparation of financial statements and related disclosures under Generally Accepted Accounting Standards, or contract with a consultant to assist with the preparation and implement procedures to detect and correct misstatements.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS 2009-9 Deficiencies in Internal Control Structure Design, Operation, and Oversight – Comprehensive Documentation of Internal Controls (Material Weakness)**

*Condition:* The City does not have a comprehensive documented internal control structure. We noted the following areas in which the City does not have sufficient key internal controls in place:

- The City does not prepare an accurate accounts payable listing.
- The City does not prepare an accurate accounts receivable listing.
- Material journal entries were required for accounts payable, accounts receivable and accrued payroll.
- The City cannot rely on their reports from their accounting system and was unable to reconcile their PERA, RHC and 941 reports to the general ledger.
- In 1 instance out of 5 when testing internal controls over accounts receivables the deposit was made before the receipt was issued.
- In 7 instances out of 16 when testing bank reconciliations it was discovered that checks were not being deposited timely. Deposits for checks totaling approximately \$72,000 were made between 4 and 23 days late.
- The City could not produce a list of voided checks.
- While performing a review of blank checks it was noted that the majority of checks held for the payroll account were not pre-numbered.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* The City recently had key management turnover and did not have documented policies in place to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* We recommend that the City of Jal ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process. Management should either maintain a separate fund for the federal grant money or track the federal expenses in a different line item. Management should: (1) maintain the listing of federal awards throughout the year, (2) keep state grants separate from federal grants; and (3) anytime the City receives a new grant, check with the grant contact person to determine whether the grant is federal or state funds.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS2009-26 Deficiencies in Internal Control Structure Design, Operation and Oversight – Central Accounting Function does not have Proper Authority (Material Weakness)**

*Condition:* The central accounting and financial reporting functions do not have proper authority over decentralized accounting personnel. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolves improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2011 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The City should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS2009-34 Deficiencies in Internal Control Structure Design, Operation and Oversight – Lack of Establishing Internal Reporting Responsibilities for Each Department (Material Weakness)**

*Condition:* The City does not establish internal reporting responsibilities for each department, program, or other function that are consistent with the objective of achieving effective internal control over financial reporting. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2011 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The City should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS2009-37 Deficiencies in Internal Control Structure Design, Operation and Oversight – Lack of Adequate Supervision of Decentralized Operations (Material Weakness)**

*Condition:* There is not adequate supervision and monitoring of decentralized operations, including accounting personnel and information systems. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2011 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The City should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS2010-2 Noncompliance with the Procurement Code (Other)**

*Condition:* During our test work regarding compliance with the NM Procurement Code, we noted that the City was unable to produce a list of bids for the 2011 fiscal year.

*Criteria:* Auditing Standards state that the management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Good accounting policies require that the City be able to produce documentation of contracts.

*Effect:* Without appropriate supporting documentation, the City has no assurance that all revenues and disbursements have been properly authorized and disbursed in accordance with applicable grant agreements and follow good accounting procurement practices.

*Cause:* Bid files are currently kept with the originating department and no list is kept in the finance department.

*Auditors' Recommendation:* We recommend that all bids flow through the finance department and documentation be kept there once the project is complete.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation.

**Section II – Financial Statement Findings (continued)**

**FS2010-3 Journal Entries (Material Weakness)**

*Condition:* During our test work over journal entries we determined that one out of one journal entries tested lacked proof of approval from either the City Manager or the Mayor.

*Criteria:* Auditing Standards state that the management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Good accounting policies require approval of journal entries.

*Effect:* Without approval of journal entries, entries could be made in an effort to hide fraudulent activity.

*Cause:* A process is not in place to approve journal entries.

*Auditors' Recommendation:* We recommend that the City institute a policy where journal entries must be reviewed and approved by someone other than the preparer of the entry.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.



**Section II – Financial Statement Findings (continued)**

**FS2010-4 Notification to the State Auditor’s Office not Performed Prior to Disposition of Capital Assets (Other)**

*Condition:* During our audit we noted that there were assets disposed of by the City which were not reported to the State Auditor’s Office prior to the disposition.

*Criteria:* NM State Auditor Rule 2.2.2.10 requires agencies disposing of assets which have been reported on their inventory listing to notify the State Auditor’s Office 30 days prior to disposition of such assets.

*Effect:* There were assets disposed of that were not properly reported to the State Auditor. The City of Jal was not in compliance with the NM State Audit Rule.

*Cause:* Management of the City was unaware that this was a requirement of the State Auditor.

*Auditors’ Recommendation:* We recommend that the City institute a policy that assets which have been listed on the City’s asset inventory be reported to the State Auditor’s Office 30 days prior to being disposed of.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors’ recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS2010-5 PERA and RHC Reconciliations (Other)**

*Condition:* The City was unable to provide a reconciliation of total wages paid in fiscal year 2011 to PERA and RHC wages for the same period.

*Criteria:* Section 2.2.2.10G(7) NMAC requires that total wages paid by a public entity must be reported for the Public Employees Retirement Act and Retiree Health Care.

*Effect:* Total contributions due to the Public Employees Retirement Fund or Retiree Health Care Fund may not have been accurately reported or remitted.

*Cause:* Management of the City did not have confidence that their reports were correct.

*Auditors' Recommendation:* We recommend that the City perform a reconciliation of total wages paid per pay period to the total wages subject to PERA and RHC withholding per pay period.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS2011-1 Lack of IT Strategic Planning, Oversight, and Risk Assessment (Material Weakness)**

*Condition:* The City does not have effective strategic planning, oversight, and risk assessment over their information technology.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Without adequate planning, strategy, and oversight, IT use may not align with City objectives. Without risk assessment, significant risks and/or fraud may go undetected.

*Cause:* For the fiscal year 2011 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* We recommend that the City create an IT committee to meet annually and discuss IT strategy, plan for oversight, and assess potential IT-related risk.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

**Section II – Financial Statement Findings (continued)**

**FS2011-2 Lack of IT Strategic Planning, Oversight, and Risk Assessment (Material Weakness)**

*Condition:* The City does not have documented policies and procedures pertaining to IT.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Without IT policies and procedures, unauthorized access and misuse of systems may occur.

*Cause:* For the fiscal year 2011 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* We recommend that the City create and document policies and procedures pertaining to IT and IT security.

*Views of Responsible Officials and Planned Corrective Actions:* The City will follow the auditors' recommendation. The City has contracted with a consultant to have the requisite policies and procedures prepared prior to June 2012.

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City of Jal  
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**Section III - Schedule of Prior Year Audit Findings**

FS 2008-3	Disaster Recovery Plan	Repeated
FS 2009-1	Record Keeping	Repeated
FS 2009-2	Capital Asset Listing	Resolved
FS 2009-4	Segregation of Duties	Resolved
FS 2009-6	Late Audit Report	Revised and Repeated
FS 2009-7	Expenditures in Excess of Budget	Revised and Repeated
FS 2009-8	Auditor Prepared Financial Statements	Repeated
FS 2009-9	Deficiencies in Internal Control Structure Design, Operation, and Oversight Comprehensive Documentation of Internal Controls	Revised and Repeated
FS 2009-10	Deficiencies in Internal Control Structure Design, Operation, and Oversight Governing Body Level of Knowledge	Resolved
FS 2009-11	Deficiencies in Internal Control Structure Design, Operation, and Oversight Planning Process to Evaluate Governing Body	Resolved
FS 2009-12	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Evaluation of Accounting and Finance Expertise	Resolved
FS 2009-13	Deficiencies in Internal Control Structure Design, Operation, and Oversight Removing Incentive	Resolved
FS 2009-14	Deficiencies in Internal Control Structure Design, Operation, and Oversight Following Ethical Guidelines	Resolved
FS 2009-15	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Approval of Changes in Key Relationships	Resolved
FS 2009-16	Deficiencies in Internal Control Structure Design, Operation, and Oversight Relationships with Professional Third Parties	Resolved
FS 2009-17	Deficiencies in Internal Control Structure Design, Operation, and Oversight Risk Appetite	Resolved
FS 2009-18	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Analyzing New Activities	Resolved
FS 2009-19	Deficiencies in Internal Control Structure Design, Operation, and Oversight Attitudes to Support an Effective Control Environment	Resolved
FS 2009-20	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Emphasis on Appropriate Behavior	Resolved
FS 2009-21	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Education on the Importance of Internal Controls	Resolved
FS 2009-22	Deficiencies in Internal Control Structure Design, Operation, and Oversight Risk Identifiers Not Communicated	Resolved
FS 2009-23	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Promotion of a Sound Control Environment	Resolved
FS 2009-24	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Attention to Known Internal Control Weaknesses	Resolved
FS 2009-25	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Importance Place on the Accounting Function	Resolved
FS 2009-26	Deficiencies in Internal Control Structure Design, Operation, and Oversight Central Accounting Function does not have Proper Authority	Repeated
FS 2009-27	Deficiencies in Internal Control Structure Design, Operation, and Oversight Financial Reporting Objectives not Established and Clearly Articulated	Resolved
FS 2009-28	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Objective Process in Selecting Accounting Principles	Resolved
FS 2009-29	Deficiencies in Internal Control Structure Design, Operation, and Oversight Tone at the Top	Resolved
FS 2009-30	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Establishing Financial Reporting Objectives	Resolved

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**Section III - Schedule of Prior Year Audit Findings (continued)**

FS 2009-31	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Disciplined, Objective Process in Selecting Accounting Principals and Developing Estimates	Resolved
FS 2009-32	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Evaluation of Organizational Structure	Resolved
FS 2009-33	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Defining Key Areas of Authority and Responsibility	Resolved
FS 2009-34	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Establishing Internal Reporting Responsibilities for Each Department	Repeated
FS 2009-35	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Structure for Assigning Ownership of Data	Resolved
FS 2009-36	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Policies that are Adequately Communicated to All Employees	Resolved
FS 2009-37	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Adequate Supervision of Decentralized Operations	Repeated
FS 2009-38	Deficiencies in Internal Control Structure Design, Operation, and Oversight Governing Body does not Oversee Disclosures	Resolved
FS 2009-39	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Process to Support the Identification, Selection, and Application of Alternate Accounting Treatments	Resolved
FS 2009-40	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Process to Discuss Disclosure Laws and Standards	Resolved
FS 2009-41	Deficiencies in Internal Control Structure Design, Operation, and Oversight Single Individuals Capable of Exerting Substantial Influence over the City's Affairs	Resolved
FS 2009-42	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Human Resource Policies and Procedures that Demonstrate its Commitment to Integrity, Ethical Behavior, and Competence	Resolved
FS 2009-43	Deficiencies in Internal Control Structure Design, Operation, and Oversight Human Resource Policies Not Clearly Communicated	Resolved
FS 2009-44	Deficiencies in Internal Control Structure Design, Operation, and Oversight Recruitment and Retention Practices Not Guided by Principles of Integrity	Resolved
FS 2009-45	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Screening Procedures for Job Applicants	Resolved
FS 2009-46	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Formal Procedures for the Ongoing Training and Motivation of Employees	Resolved
FS 2009-47	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Oversight of the Process for Defining Responsibility for Key Financial Reporting Roles by the Governing Body	Resolved
FS 2009-48	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Establishing Competencies Prior to Hiring of Key Positions	Resolved
FS 2009-49	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Appropriate Competencies by Employees	Resolved
FS 2009-50	Deficiencies in Internal Control Structure Design, Operation, and Oversight Lack of Demonstration of a Commitment to Provide Sufficient Accounting and Financial Personnel	Resolved
FS 2009-51	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Supplementing In-House Competencies	Resolved
FS 2009-52	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Mechanisms to Identify Risks Applicable to the City and Financial Reporting Objectives	Resolved

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**Section III - Schedule of Prior Year Audit Findings (continued)**

FS 2009-53	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Risk Evaluation	Resolved
FS 2009-54	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Periodic Review to Anticipate and Identify Activities that May Affect the City's Ability to Achieve its Objectives	Resolved
FS 2009-55	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Process to Identify Risks Associated with Nonroutine Transactions	Resolved
FS 2009-56	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Identification of Risks Potentially Impacting the Achievement of Financial Reporting Objectives	Resolved
FS 2009-57	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Applying Forward-Looking Mechanisms	Resolved
FS 2009-58	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Identification of Risks Related to Laws or Regulations	Resolved
FS 2009-59	Deficiencies in Internal Control Structure Design, Operation and Oversight Risks Related to Employees are Not Appropriately Identified	Resolved
FS 2009-60	Deficiencies in Internal Control Structure Design, Operation and Oversight Fraud Assessments are Not Part of the Risk Identification Process	Resolved
FS 2009-61	Deficiencies in Internal Control Structure Design, Operation and Oversight Assessment of Fraud Risks Does Not Consider Incentives and Pressures, Attitudes, and Rationalizations, and Opportunity	Resolved
FS 2009-62	Deficiencies in Internal Control Structure Design, Operation and Oversight Assessment of Fraud Risk Does Not Consider Risk Factors Relevant to its Activities	Resolved
FS 2009-63	Deficiencies in Internal Control Structure Design, Operation and Oversight Potential for Fraud in High-Risk Areas is Not Assessed	Resolved
FS 2009-64	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Understanding on the Part of the Governing Body on Fraud Risk	Resolved
FS 2009-65	Deficiencies in Internal Control Structure Design, Operation and Oversight Significance of Potential Fraud Does Not Consider both Quantitative and Qualitative Factors	Resolved
FS 2009-66	Deficiencies in Internal Control Structure Design, Operation and Oversight Management Does Not Identify All Significant Relationships	Resolved
FS 2009-67	Deficiencies in Internal Control Structure Design, Operation and Oversight Planning Process Does Not Include a Broad Spectrum of Personnel with Collective Knowledge of All Areas of the City	Resolved
FS 2009-68	Deficiencies in Internal Control Structure Design, Operation and Oversight Governing Body Lacks Significance of Related Party Transactions	Resolved
FS 2009-69	Deficiencies in Internal Control Structure Design, Operation and Oversight Periodic Risk Assessments are Not Reviewed by Management	Resolved
FS 2009-70	Deficiencies in Internal Control Structure Design, Operation and Oversight Senior Management Does Not Develop Plans to Mitigate Significant Identified Risks and Present them to the City Council	Resolved
FS 2009-71	Deficiencies in Internal Control Structure Design, Operation and Oversight Controls are Not Examined when Risks are Identified	Resolved
FS 2009-72	Deficiencies in Internal Control Structure Design, Operation and Oversight Identified Fraud Risk Factors are Not Tracked	Resolved
FS 2009-73	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Process to Identify and Address Changes in GAAP	Resolved
FS 2009-74	Deficiencies in Internal Control Structure Design, Operation and Oversight Changes to Significant Accounting Policies are not Approved by Management or Reviewed by the City Council	Resolved

**STATE OF NEW MEXICO**  
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**Section III - Schedule of Prior Year Audit Findings (continued)**

FS 2009-75	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Process to Identify Changes Within Operating Practices	Resolved
FS 2009-76	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Process to Maintain Current Knowledge of GAAP Principles and Other Relevant Pronouncements	Resolved
FS 2009-77	Deficiencies in Internal Control Structure Design, Operation and Oversight Operating Information does not Serve as a Basis for Reliable Financial Reporting	Resolved
FS 2009-78	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Procedures to Determine when Control Objectives are Met	Resolved
FS 2009-79	Deficiencies in Internal Control Structure Design, Operation and Oversight Data Underlying Financial Statements are not Captured Completely, Accurately, and Timely	Resolved
FS 2009-80	Deficiencies in Internal Control Structure Design, Operation and Oversight Financial Personnel do not Meet with Management to Discuss Operational Results	Resolved
FS 2009-81	Deficiencies in Internal Control Structure Design, Operation and Oversight Financial Personnel do not Receive Detailed Information when Reviewing Financial Results	Resolved
FS 2009-82	Deficiencies in Internal Control Structure Design, Operation and Oversight Established Deadlines do not Exist for Period End Reporting	Resolved
FS 2009-83	Deficiencies in Internal Control Structure Design, Operation and Oversight An Open Communications Channel does not Exist Between Management and the City Council	Resolved
FS 2009-84	Deficiencies in Internal Control Structure Design, Operation and Oversight Effectiveness of Those Charged with Governance is not Supported by Timely Communications	Resolved
FS 2009-85	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Communication Approaches for Dealing with Inappropriate Behavior	Resolved
FS 2009-86	Deficiencies in Internal Control Structure Design, Operation and Oversight Employees do not Receive Adequate Information to Complete their Job Responsibilities	Resolved
FS 2009-87	Deficiencies in Internal Control Structure Design, Operation and Oversight Upstream Communication is not Used by Management to Improve Performance and Enhance Internal Control	Resolved
FS 2009-88	Deficiencies in Internal Control Structure Design, Operation and Oversight Separate Lines of Communication are not in Place in Case Normal Channels are Ineffective	Resolved
FS 2009-89	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Whistleblower Policy	Resolved
FS 2009-90	Deficiencies in Internal Control Structure Design, Operation and Oversight Reported Potential Improprieties are not Reviewed, Investigated, and Resolved in a Timely Manner	Resolved
FS 2009-91	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Process for Tracking Communications from Citizens, Vendors, Regulators, and Other External Parties	Resolved
FS 2009-92	Deficiencies in Internal Control Structure Design, Operation and Oversight Ongoing Monitoring is not Built into Operations Throughout the City	Resolved
FS 2009-93	Deficiencies in Internal Control Structure Design, Operation and Oversight Ongoing Monitoring does not Serve as a Primary Indicator of Both Control Operating Effectiveness and of Risk Conditions	Resolved
FS 2009-94	Deficiencies in Internal Control Structure Design, Operation and Oversight Separate Evaluations of Internal Controls are not Performed to Provide an Objective Look at the Overall Internal Control over Financial Reporting	Resolved



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**Section III - Schedule of Prior Year Audit Findings (continued)**

FS 2009-95	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Other Quasi-Audit Functions that Report to Management and Affect the Control Environment	Resolved
FS 2009-96	Deficiencies in Internal Control Structure Design, Operation and Oversight Reports from External Sources are not Considered for their Internal Control Implications	Resolved
FS 2009-97	Deficiencies in Internal Control Structure Design, Operation and Oversight Lack of Separate Evaluations of Internal Controls by Management	Resolved
FS 2009-98	Deficiencies in Internal Control Structure Design, Operation and Oversight Findings of Internal Control Deficiencies are not Reported to the Appropriate Level	Resolved
FS 2009-99	Deficiencies in Internal Control Structure Design, Operation and Oversight Deficiencies that Affect Internal Control are not Communicated	Resolved
FS 2009-100	Deficiencies in Internal Control Structure Design, Operation and Oversight Altered Receipts Turned in for Reimbursement	Resolved
FS 2009-101	Deficiencies in Internal Control Structure Design, Operation and Oversight Disbursements	Resolved
FS 2009-102	Deficiencies in Internal Control Structure Design, Operation and Oversight Credit Cards	Resolved
FS 2010-1	Designated Cash Appropriations Exceeded Prior Year Available Balances	Resolved
FS 2010-2	Noncompliance with the Procurement Code	Revised and Repeated
FS 2010-3	Journal Entries	Revised and Repeated
FS 2010-4	Notification to the State Auditor's Office not Performed Prior to Disposition of Capital Assets	Repeated
FS 2010-5	PERA and RHC Reconciliations	Revised and Repeated

**STATE OF NEW MEXICO**

City of Jal  
Other Disclosures  
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**Exit Conference**

An exit conference was held on May 8, 2012. In attendance were the following:

**Representing the City of Jal:**

Mike Orr	Councilor
Curtis Schrader	City Manager
Jenny Edwards	City Clerk/Treasurer

**Representing Accounting & Consulting Group, LLP:**

Shelley Olson	Senior Accountant
Bethany Benavides	Staff Accountant

**Auditor Prepared Financial Statements**

Although it would be preferred and desirable for the City to prepare its own financial statements, the City's personnel did not have the time to prepare them. Accounting & Consulting Group, LLP prepared the financial statements of the City of Jal from the original books and records provided to them by the management of the City.