



Accounting & Consulting Group, LLP

Certified Public Accountants

State of New Mexico

City of Jal

Annual Financial Report

June 30, 2013

STATE OF NEW MEXICO
CITY OF JAL
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

INTRODUCTORY SECTION

STATE OF NEW MEXICO

City of Jal
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STATE OF NEW MEXICO

City of Jal
Official Roster
June 30, 2013

<u>Name</u>	<u>City Council</u>	<u>Title</u>
Cheryl Chance		Mayor
James D. Jennings		Councilor
Amelia Trevino		Councilor
JoAn Chesser		Councilor
Lisa Johnson		Councilor
Mike Orr		Councilor
Jim Ellison		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 H. Balderas
New Mexico State Auditor
The City Council
City of Jal
Jal, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Jal, New Mexico (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental funds and the budgetary comparisons of the proprietary funds and the remaining nonmajor governmental funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

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, 2013. 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, 2012 or the depreciation expense for the fiscal year ended June 30, 2013. 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, 2013 and the depreciation accrual for the year then ended. The effect on assets, net position, and expenses of the governmental and business-type activities is not readily determinable.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” 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, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the possible effects of the matters described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City as of June 30, 2013, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the proprietary fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the possible effects of the matters described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the general fund and each of the City’s nonmajor funds for the year then ended June 30, 2013 in conformity with the budgetary basis more fully described in Note 2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and the additional schedules listed as 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.

The additional schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013 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* in considering the City’s internal control over financial reporting and compliance.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
November 14, 2013

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Jal

Statement of Net Position

June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets			
Cash and cash equivalents	\$ 674,025	\$ 972,156	\$ 1,646,181
Property taxes receivable	10,925	-	10,925
Other taxes receivable	275,385	-	275,385
Customer receivables	-	339,774	339,774
Other receivables	711,381	-	711,381
Total current assets	<u>1,671,716</u>	<u>1,311,930</u>	<u>2,983,646</u>
Noncurrent assets			
Restricted cash and cash equivalents	369,023	114,350	483,373
Capital assets	6,036,160	13,740,518	19,776,678
Less: accumulated depreciation	<u>(2,909,348)</u>	<u>(13,027,704)</u>	<u>(15,937,052)</u>
Total noncurrent assets	<u>3,495,835</u>	<u>827,164</u>	<u>4,322,999</u>
Total assets	<u>\$ 5,167,551</u>	<u>\$ 2,139,094</u>	<u>\$ 7,306,645</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Liabilities			
Current liabilities			
Accounts payable	\$ 228,865	\$ 179,679	\$ 408,544
Accrued payroll expenses	14,766	13,469	28,235
Accrued compensated absences	14,596	3,604	18,200
Meter deposits	-	114,350	114,350
Accrued interest	972	8,348	9,320
Current portion of loans and capital leases payable	37,455	40,595	78,050
Total current liabilities	<u>296,654</u>	<u>360,045</u>	<u>656,699</u>
Noncurrent liabilities			
Accrued compensated absences	-	1,321	1,321
Loans and capital leases payable	489,800	518,559	1,008,359
Total noncurrent liabilities	<u>489,800</u>	<u>519,880</u>	<u>1,009,680</u>
Total liabilities	<u>786,454</u>	<u>879,925</u>	<u>1,666,379</u>
Net Position			
Net investment in capital assets	2,968,580	712,814	3,681,394
Restricted for			
Special revenue	570,439	-	570,439
Unrestricted	842,078	546,355	1,388,433
Total net position	<u>4,381,097</u>	<u>1,259,169</u>	<u>5,640,266</u>
Total liabilities and net position	<u>\$ 5,167,551</u>	<u>\$ 2,139,094</u>	<u>\$ 7,306,645</u>

STATE OF NEW MEXICO
City of Jal
Statement of Activities
For the Year Ended June 30, 2013

<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>
Primary Government				
<i>Governmental Activities</i>				
General government	\$ 1,279,931	\$ 83,169	\$ 1,321,390	\$ -
Public safety	773,692	-	140,827	-
Public works	401,593	-	-	-
Culture and recreation	217,309	-	53,405	-
Health and welfare	235,839	-	5,745	-
Interest on long-term debt	5,380	-	-	-
<i>Total governmental activities</i>	<u>2,913,744</u>	<u>83,169</u>	<u>1,521,367</u>	<u>-</u>
<i>Business-type Activities</i>				
Water and sewer	1,665,600	1,189,351	-	-
Solid waste	400,462	325,748	-	-
<i>Total business-type activities</i>	<u>2,066,062</u>	<u>1,515,099</u>	<u>-</u>	<u>-</u>
<i>Total</i>	<u>\$ 4,979,806</u>	<u>\$ 1,598,268</u>	<u>\$ 1,521,367</u>	<u>\$ -</u>

General Revenues

Taxes
Property taxes, levied for general purposes
Gross receipts taxes
Gasoline and motor vehicle taxes
Franchise taxes
Licenses and fees
Investment income
Miscellaneous revenue

Total general revenues and transfers

Change in net position

Net position, beginning
Restatement (Note 18)
Net position, beginning as restated

Net position, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Change in Net Position		
Primary Government		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 124,628	\$ -	\$ 124,628
(632,865)	-	(632,865)
(401,593)	-	(401,593)
(163,904)	-	(163,904)
(230,094)	-	(230,094)
(5,380)	-	(5,380)
<u>(1,309,208)</u>	<u>-</u>	<u>(1,309,208)</u>
-	(476,249)	(476,249)
-	(74,714)	(74,714)
<u>-</u>	<u>(550,963)</u>	<u>(550,963)</u>
<u>(1,309,208)</u>	<u>(550,963)</u>	<u>(1,860,171)</u>
101,806	-	101,806
1,806,144	93,780	1,899,924
73,741	-	73,741
39,774	-	39,774
37,660	-	37,660
6	-	6
<u>161,752</u>	<u>52,968</u>	<u>214,720</u>
<u>2,220,883</u>	<u>146,748</u>	<u>2,367,631</u>
911,675	(404,215)	507,460
3,469,422	1,710,425	5,179,847
-	(47,041)	(47,041)
<u>3,469,422</u>	<u>1,663,384</u>	<u>5,132,806</u>
<u>\$ 4,381,097</u>	<u>\$ 1,259,169</u>	<u>\$ 5,640,266</u>

STATE OF NEW MEXICO

City of Jal
Balance Sheet
Governmental Funds
June 30, 2013

Exhibit B-1
Page 1 of 2

	<u>General Fund</u>	<u>State Fire</u>	<u>Inter- governmental Grants</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Assets</i>					
Cash and cash equivalents	\$ 322,674	\$ 388,658	\$ -	\$ 331,716	\$ 1,043,048
Receivables					
Property taxes	10,925	-	-	-	10,925
Other taxes	241,141	-	-	34,244	275,385
Other receivables	9,501	-	675,586	26,294	711,381
<i>Total assets</i>	<u>\$ 584,241</u>	<u>\$ 388,658</u>	<u>\$ 675,586</u>	<u>\$ 392,254</u>	<u>\$ 2,040,739</u>
<i>Liabilities and fund balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ 85,534	\$ 6,020	\$ 116,361	\$ 20,950	\$ 228,865
Accrued payroll expenses	14,766	-	-	-	14,766
Deferred revenue	4,745	-	-	-	4,745
<i>Total liabilities</i>	<u>105,045</u>	<u>6,020</u>	<u>116,361</u>	<u>20,950</u>	<u>248,376</u>
<i>Fund balances</i>					
Spendable					
Restricted	-	382,638	559,225	371,304	1,313,167
Unassigned	479,196	-	-	-	479,196
<i>Total fund balances</i>	<u>479,196</u>	<u>382,638</u>	<u>559,225</u>	<u>371,304</u>	<u>1,792,363</u>
<i>Total liabilities and fund balances</i>	<u>\$ 584,241</u>	<u>\$ 388,658</u>	<u>\$ 675,586</u>	<u>\$ 392,254</u>	<u>\$ 2,040,739</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 Position
June 30, 2013

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 1,792,363
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,126,812
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	4,745
Certain liabilities, including loans 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	(972)
Current portion of accrued compensated absences	(14,596)
Loans payable	(527,255)
Net position of governmental activities	<u>\$ 4,381,097</u>

STATE OF NEW MEXICO
City of Jal
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

Exhibit B-2
Page 1 of 2

	General Fund	State Fire	Inter- governmental Grants	Other Governmental Funds	Total
<i>Revenues</i>					
<i>Taxes</i>					
Property	\$ 101,288	\$ -	\$ -	\$ -	\$ 101,288
Gross receipts	1,596,632	-	-	209,512	1,806,144
Gasoline and motor vehicle	22,515	-	-	51,226	73,741
Other	39,774	-	-	-	39,774
<i>Intergovernmental</i>					
Federal operating grants	-	-	-	28,970	28,970
State operating grants	71,724	95,427	1,249,666	75,580	1,492,397
Charges for services	29,199	-	-	-	29,199
Licenses and fees	37,660	-	-	43,545	81,205
Investment income	-	6	-	-	6
Miscellaneous	123,701	13,980	48,594	20,443	206,718
<i>Total revenues</i>	<u>2,022,493</u>	<u>109,413</u>	<u>1,298,260</u>	<u>429,276</u>	<u>3,859,442</u>
<i>Expenditures</i>					
<i>Current</i>					
General government	387,852	-	854,113	15,627	1,257,592
Public safety	616,805	120,905	-	28,997	766,707
Public works	347,538	-	-	40,579	388,117
Culture and recreation	-	-	-	219,174	219,174
Health and welfare	230,652	-	-	5,337	235,989
<i>Debt service</i>					
Principal	-	22,032	-	-	22,032
Interest	-	5,290	-	-	5,290
<i>Total expenditures</i>	<u>1,582,847</u>	<u>148,227</u>	<u>854,113</u>	<u>309,714</u>	<u>2,894,901</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>439,646</u>	<u>(38,814)</u>	<u>444,147</u>	<u>119,562</u>	<u>964,541</u>
<i>Other financing sources (uses)</i>					
Loan proceeds	-	357,683	-	-	357,683
Transfers in	-	-	407,981	-	407,981
Transfers out	(407,531)	-	-	(450)	(407,981)
<i>Total other financing sources (uses)</i>	<u>(407,531)</u>	<u>357,683</u>	<u>407,981</u>	<u>-</u>	<u>357,683</u>
<i>Net change in fund balance</i>	32,115	318,869	852,128	119,112	1,322,224
<i>Fund balance, beginning</i>	<u>447,081</u>	<u>63,769</u>	<u>(292,903)</u>	<u>252,192</u>	<u>470,139</u>
<i>Fund balance, ending</i>	<u>\$ 479,196</u>	<u>\$ 382,638</u>	<u>\$ 559,225</u>	<u>\$ 371,304</u>	<u>\$ 1,792,363</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 Change
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

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	\$	1,322,224
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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:

Depreciation expense		(74,869)
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Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenue in the funds:

Increase in deferred revenue related to property taxes receivable		518
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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:

Increase in accrued compensated absences		(457)
Increase in accrued interest		(90)

The issuance of long-term debt (e.g. loans) 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 position. Also, governmental funds
report the effect of premiums, discounts, and similar items when debt is first issued,
whereas these amounts are deferred and amortized in the Statement of Activities:

Principal payments on loans payable		22,032
Proceeds from debt issuance		(357,683)

Change in net position of governmental activities	\$	<u>911,675</u>
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STATE OF NEW MEXICO

Exhibit C-1

City of Jal

General Fund

Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ 114,666	\$ 114,666	\$ 99,396	\$ (15,270)
Gross receipts	830,000	830,000	1,430,835	600,835
Gasoline and motor vehicle	25,000	25,000	22,709	(2,291)
Other	42,000	42,000	41,233	(767)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	210,000	210,000	71,724	(138,276)
State capital grants	-	-	-	-
Charges for services	40,100	40,100	29,199	(10,901)
Licenses and fees	61,600	61,600	33,785	(27,815)
Investment income	-	-	-	-
Miscellaneous	69,000	69,000	131,168	62,168
<i>Total revenues</i>	<u>1,392,366</u>	<u>1,392,366</u>	<u>1,860,049</u>	<u>467,683</u>
<i>Expenditures</i>				
Current				
General government	379,600	379,600	386,084	(6,484)
Public safety	447,600	447,600	588,636	(141,036)
Public works	293,000	293,000	302,160	(9,160)
Health and welfare	228,000	228,000	230,422	(2,422)
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,348,200</u>	<u>1,348,200</u>	<u>1,507,302</u>	<u>(159,102)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>44,166</u>	<u>44,166</u>	<u>352,747</u>	<u>308,581</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(44,166)	(44,166)	-	44,166
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(407,531)	(407,531)
<i>Total other financing sources (uses)</i>	<u>(44,166)</u>	<u>(44,166)</u>	<u>(407,531)</u>	<u>(363,365)</u>
<i>Net change in fund balance</i>	-	-	(54,784)	(54,784)
<i>Fund balance, beginning</i>	-	-	377,458	377,458
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,674</u>	<u>\$ 322,674</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (54,784)	
Adjustments to revenues for property taxes receivable, other taxes receivable, other receivables, and deferred revenue			162,444	
Adjustments to expenditures for accounts payable and accrued payroll			(75,545)	
Net change in fund balance (GAAP basis)			<u>\$ 32,115</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

City of Jal

State Fire Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	121,000	118,105	145,427	27,322
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	6	6
Miscellaneous	-	14,959	14,945	(14)
<i>Total revenues</i>	<u>121,000</u>	<u>133,064</u>	<u>160,378</u>	<u>27,314</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	121,000	133,064	116,091	16,973
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	22,032	(22,032)
Interest	-	-	5,290	(5,290)
<i>Total expenditures</i>	<u>121,000</u>	<u>133,064</u>	<u>143,413</u>	<u>(10,349)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	16,965	16,965
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Loan proceeds	-	-	357,683	357,683
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	<u>357,683</u>	<u>357,683</u>
<i>Net change in fund balance</i>	-	-	374,648	374,648
<i>Fund balance, beginning</i>	-	-	14,010	14,010
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,658</u>	<u>\$ 388,658</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 374,648	
Adjustments to revenues for other receivables			(50,965)	
Adjustments to expenditures for accounts payable			(4,814)	
Net change in fund balance (GAAP basis)			<u>\$ 318,869</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-3

City of Jal

Intergovernmental Grants Special Revenue Fund
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	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	500,000	-	-	-
Federal capital grants	-	-	-	-
State operating grants	1,142,000	281,177	281,177	-
State capital grants	94,000	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	48,594	48,594	-
<i>Total revenues</i>	<u>1,736,000</u>	<u>329,771</u>	<u>329,771</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	1,736,000	737,752	737,752	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,736,000</u>	<u>737,752</u>	<u>737,752</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(407,981)</u>	<u>(407,981)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	407,981	-	(407,981)
Operating transfers in	-	-	407,981	407,981
Operating transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>407,981</u>	<u>407,981</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance, beginning</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
Adjustments to revenues for other receivables			968,489	
Adjustments to expenditures for accounts receivable			(116,361)	
Net change in fund balance (GAAP basis)			<u>\$ 852,128</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 Position
Proprietary Funds
June 30, 2013

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 910,177	\$ 61,979	\$ 972,156
Accounts receivable	292,990	46,784	339,774
<i>Total current assets</i>	<u>1,203,167</u>	<u>108,763</u>	<u>1,311,930</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	114,350	-	114,350
Capital assets	13,740,518	-	13,740,518
Accumulated depreciation	(13,027,704)	-	(13,027,704)
<i>Total noncurrent assets</i>	<u>827,164</u>	<u>-</u>	<u>827,164</u>
<i>Total assets</i>	<u>\$ 2,030,331</u>	<u>\$ 108,763</u>	<u>\$ 2,139,094</u>
<i>Liabilities and Net Position</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 131,559	\$ 48,120	\$ 179,679
Accrued expenses	11,376	2,093	13,469
Accrued compensated absences	3,604	-	3,604
Meter deposits	114,350	-	114,350
Accrued interest	8,348	-	8,348
Current maturity of capital leases payable	40,595	-	40,595
<i>Total current liabilities</i>	<u>309,832</u>	<u>50,213</u>	<u>360,045</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	-	1,321	1,321
Capital leases payable	518,559	-	518,559
<i>Total noncurrent liabilities</i>	<u>518,559</u>	<u>1,321</u>	<u>519,880</u>
<i>Total liabilities</i>	<u>828,391</u>	<u>51,534</u>	<u>879,925</u>
<i>Net position</i>			
Net investment in capital assets	712,814	-	712,814
Unrestricted, undesignated	489,126	57,229	546,355
<i>Total net position</i>	<u>1,201,940</u>	<u>57,229</u>	<u>1,259,169</u>
<i>Total liabilities and net position</i>	<u>\$ 2,030,331</u>	<u>\$ 108,763</u>	<u>\$ 2,139,094</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 Change in Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Operating revenues</i>			
Charges for services	\$ 1,189,351	\$ 325,748	\$ 1,515,099
<i>Total operating revenues</i>	<u>1,189,351</u>	<u>325,748</u>	<u>1,515,099</u>
<i>Operating expenses</i>			
Personnel services	342,844	41,286	384,130
Contractual services	67,221	334,117	401,338
Supplies and purchased power	11,003	-	11,003
Repairs and maintenance	813,041	4,111	817,152
Utilities	140,905	-	140,905
Depreciation	80,772	-	80,772
Other operating expenses	90,871	4,368	95,239
<i>Total operating expenses</i>	<u>1,546,657</u>	<u>383,882</u>	<u>1,930,539</u>
<i>Operating income (loss)</i>	<u>(357,306)</u>	<u>(58,134)</u>	<u>(415,440)</u>
<i>Non-operating revenues (expenses)</i>			
Gross receipts tax income	78,272	15,508	93,780
Gross receipts tax expense	(75,986)	(16,580)	(92,566)
Interest expense	(42,957)	-	(42,957)
Miscellaneous income	4,144	48,824	52,968
<i>Total non-operating revenues (expenses)</i>	<u>(36,527)</u>	<u>47,752</u>	<u>11,225</u>
<i>Change in net position</i>	(393,833)	(10,382)	(404,215)
<i>Total net position, beginning</i>	1,642,814	67,611	1,710,425
<i>Restatement (Note 18)</i>	(47,041)	-	(47,041)
<i>Total net position, beginning as restated</i>	<u>1,595,773</u>	<u>67,611</u>	<u>1,663,384</u>
<i>Total net position, ending</i>	<u>\$ 1,201,940</u>	<u>\$ 57,229</u>	<u>\$ 1,259,169</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, 2013

Exhibit D-3

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 999,429	\$ 336,978	\$ 1,336,407
Cash payments to employees for services	(347,558)	(39,739)	(387,297)
Cash payments to suppliers for goods and services	(946,918)	(297,874)	(1,244,792)
<i>Net cash provided by operating activities</i>	<u>(295,047)</u>	<u>(635)</u>	<u>(295,682)</u>
<i>Cash flows from noncapital financing activities</i>			
Net gross receipts taxes	2,286	(1,072)	1,214
Miscellaneous income	4,144	48,824	52,968
Change in noncurrent accrued compensated absences	-	1,321	1,321
<i>Net cash provided (used) by noncapital financing activities</i>	<u>6,430</u>	<u>49,073</u>	<u>55,503</u>
<i>Cash flows from capital and related financing activities</i>			
Interest paid	(34,609)	-	(34,609)
Proceeds from issuance of long-term debt	559,154	-	559,154
<i>Net cash (used) from capital and related financing activities</i>	<u>524,545</u>	<u>-</u>	<u>524,545</u>
<i>Net increase in cash, cash equivalents, and restricted cash</i>	235,928	48,438	284,366
<i>Cash, cash equivalents, and restricted cash, beginning</i>	<u>788,599</u>	<u>13,541</u>	<u>802,140</u>
<i>Cash, cash equivalents, and restricted cash, ending</i>	<u>\$ 1,024,527</u>	<u>\$ 61,979</u>	<u>\$ 1,086,506</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities</i>			
Operating income (loss)	\$ (357,306)	\$ (58,134)	\$ (415,440)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	80,772	-	80,772
Changes in assets and liabilities			
Receivables	(142,881)	11,230	(131,651)
Inventory	-	-	-
Accounts payable	110,819	44,722	155,541
Accrued payroll expenses	(2,413)	1,547	(866)
Accrued compensated absences	(2,301)	-	(2,301)
Meter deposits	18,263	-	18,263
<i>Net cash provided by operating activities</i>	<u>\$ (295,047)</u>	<u>\$ (635)</u>	<u>\$ (295,682)</u>

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, 2013

Exhibit E-1

Assets

Cash	<u>\$ 14,258</u>
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<i>Total assets</i>	<u><u>\$ 14,258</u></u>
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Liabilities

Due to other entities	<u>\$ 14,258</u>
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<i>Total liabilities</i>	<u><u>\$ 14,258</u></u>
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The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies

The City of Jal (the “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 and 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.

During the year ended June 30, 2013, the City adopted GASB Statements No. 60 through 64. GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses issues related to service concession arrangements. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. The City does not have any Service Concession Arrangements or component units. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions- an Amendment of GASB Statement No. 53*, clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. The City does not utilize hedge accounting.

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, as amended by GASB Statement No. 39 and GASB Statement No. 61. 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.

STATE OF NEW MEXICO

City of Jal

Notes to Financial Statements

June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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, No. 39, or No. 61.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental 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 Position 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 Position, 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 position is reported in three parts- net investment in capital assets; restricted net position; and unrestricted net position.

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.

STATE OF NEW MEXICO

City of Jal

Notes to Financial Statements

June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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.

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 funds are 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, 2013

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 *State Fire Special Revenue Fund* accounts for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. Fund authority is NMSA 59A-53-1.

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.

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, 2013.

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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 10th and April 10th 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.

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, 2013. 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.

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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, 2013, 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.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Balance Classification Policies and Procedures: For committed fund balance the City’s highest level of decision-making authority is the City Council. The formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at a City Council meeting.

For assigned fund balance, the City includes amounts that are intended to be spend for specific purposes, but are not restricted or committed. The City has assigned these balances to a specific purpose, but has latitude in spending the funds for general fund requirements if the City approves it in their budget.

In all cases, restricted, then committed, and then assigned fund balances are to be expended in that order, prior to infusion and expenditures of any general (unassigned) funds designated for supplementing any given department.

Restricted Fund Balance: At June 30, 2013, the restricted fund balance on the governmental fund balance sheet of \$1,313,167 is restricted for the designated purpose of each fund.

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Equity Classifications

Government-wide Statements

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

- a. *Net investment in capital assets:* Net position 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 Position:* Consist of net position 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 Position:* All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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 water and sewer and solid waste funds.

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.

The governmental funds budgetary comparisons are presented on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The proprietary funds budgetary comparisons are presented in accordance with generally accepted accounting principles. The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
	Budgeted Funds	
General Fund	\$ 44,166	\$ 44,166
State Fire	-	-
Intergovernmental Grants	-	(407,981)
Other Governmental Funds	32,500	94,899
	Change in Net Position	
Water and Sewer	\$ 230,600	\$ 295,667
Solid Waste	29,100	50,154

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 governmental funds budgetary comparisons are presented on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. 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, 2013 is presented. The proprietary funds budgetary comparisons are presented in accordance with generally accepted accounting principles. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis, by fund can be found on each individual budgetary statement.

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, 2013.

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.

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

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. Time deposits, savings deposits and 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.

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, 2013, \$0 of the City’s bank balances of \$2,288,642 was exposed to custodial credit risk. \$709,810 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the City’s name and \$0 of the City’s deposits were uninsured and uncollateralized. See Schedule of Deposits and Investment Accounts on Schedule I of this report.

NOTE 4. Receivables

Receivables as of June 30, 2013 are as follows:

Governmental Activities:

	General	State Fire	Inter- governmental	Total Nonmajor Funds	Total
Property taxes	\$ 10,925	\$ -	\$ -	\$ -	\$ 10,925
Other taxes					
Gross receipts taxes	241,141	-	-	31,642	272,783
Gasoline and oil taxes	-	-	-	2,602	2,602
Other receivables					
Licenes and fees	5,626	-	-	-	5,626
Intergovernmental grants					
State	-	-	675,586	22,400	697,986
Miscellaneous	3,875	-	-	3,894	7,769
Net receivables	<u>\$ 261,567</u>	<u>\$ -</u>	<u>\$ 675,586</u>	<u>\$ 60,538</u>	<u>\$ 997,691</u>

In accordance with GASB No. 33, the property tax revenues that were not collected within the period of availability, \$4,745, have been reclassified as deferred revenue in the governmental fund financial statements. The above receivables are deemed 100% collectible

Business-Type Activities:

	Water and Sewer	Solid Waste	Total
Customer receivables	<u>\$ 292,990</u>	<u>\$ 46,784</u>	<u>\$ 339,774</u>

The above receivables are deemed 100% collectible.

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 5. Interfund Transfers

Operating transfers that occurred during the year were made to close out funds and to supplement other funding sources as follows:

Transfers In	Transfers Out	
Intergovernmental Grants Special Revenue Fund	General Fund	\$ 407,531
Intergovernmental Grants Special Revenue Fund	EMS Special Revenue Fund	408
Intergovernmental Grants Special Revenue Fund	Law Enforcement Special Revenue Fund	42
		\$ 407,981

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2013, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

Governmental Activities

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 53,151	\$ -	\$ -	\$ 53,151
Capital assets being depreciated				
Buildings and improvements	3,660,103	-	-	3,660,103
Equipment	2,153,700	-	-	2,153,700
Infrastructure	169,206	-	-	169,206
Total capital assets being depreciated	5,983,009	-	-	5,983,009
Accumulated depreciation				
Buildings and improvements	1,205,536	15,807	-	1,221,343
Equipment	1,581,333	51,849	-	1,633,182
Infrastructure	47,610	7,213	-	54,823
Total accumulated depreciation	2,834,479	74,869	-	2,909,348
Total capital assets, net of depreciation	\$ 3,201,681	\$ (74,869)	\$ -	\$ 3,126,812

Depreciation expense for the year ended June 30, 2013 was charged to governmental activities as follows:

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

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 6. Capital Assets (continued)

Business-type Activities

	Balance <u>June 30, 2012</u>	Additions	Deletions	Balance <u>June 30, 2013</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	334,641	4,453	-	339,094
Equipment	104,062	10,647	-	114,709
Infrastructure	12,508,229	65,672	-	12,573,901
Total accumulated depreciation	<u>12,946,932</u>	<u>80,772</u>	<u>-</u>	<u>13,027,704</u>
Total capital assets, net of depreciation	<u>\$ 793,586</u>	<u>\$ (80,772)</u>	<u>\$ -</u>	<u>\$ 712,814</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2013 was \$80,772.

NOTE 7. Long-term Debt

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance <u>June 30, 2012</u>	Additions	Retirements	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
NMFA Loans	\$ 191,604	\$ 357,683	\$ 22,032	\$ 527,255	\$ 37,455
Compensated Absences	14,139	20,414	19,957	14,596	14,596
Total long-term liabilities	<u>\$ 205,743</u>	<u>\$ 378,097</u>	<u>\$ 41,989</u>	<u>\$ 541,851</u>	<u>\$ 52,051</u>

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 7. 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%.

On June 21, 2013, the City received a loan from the New Mexico Finance Authority in the amount of \$357,683 for the purchase of a fire tanker/pumper. The loan is financed over eleven years at 1.95%.

The annual requirements to amortize the loans as of June 30, 2013, including interest payments, are as follows

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 37,455	\$ 9,721	\$ 47,176
2015	44,821	9,978	54,799
2016	45,510	9,312	54,822
2017	46,284	8,560	54,844
2018	47,159	7,706	54,865
2019-2023	252,203	22,548	274,751
2024-2028	53,823	1,264	55,087
	<u>\$ 527,255</u>	<u>\$ 69,089</u>	<u>\$ 596,344</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, 2013, long-term compensated absences increased \$457 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, 2013, the following changes occurred in the liabilities reported in the proprietary statement of net assets:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Capital Leases	\$ -	\$ 579,545	\$ 20,391	\$ 559,154	\$ 40,595
Compensated Absences	5,905	7,833	8,813	4,925	3,604
Total long-term liabilities	<u>\$ 205,743</u>	<u>\$ 29,968</u>	<u>\$ 42,273</u>	<u>\$ 193,438</u>	<u>\$ 36,171</u>

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 7. Long-term Debt (continued)

Proprietary Funds (continued)

Capital Leases

On April 1, 2013, the City entered into a capital lease agreement with Public Capital Corporation for Water Meters and related equipment in the amount of \$579,545. The lease is for a ten year term at 5.89%. The annual requirements to capitalize the lease as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 40,595	\$ 33,392	\$ 73,987
2015	45,178	30,967	76,145
2016	49,873	28,347	78,220
2017	55,738	25,291	81,029
2018	61,142	21,963	83,105
2019-2023	306,628	47,816	354,444
	<u>\$ 559,154</u>	<u>\$ 187,776</u>	<u>\$ 746,930</u>

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

NOTE 8. 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, 2013, 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 9. 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.

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 9. PERA Pension Plan (continued)

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, 2013, 2012 and 2011 were \$79,526, \$78,287, and \$71,070, respectively.

NOTE 10. Post-Employment Benefits

Plan Description. The City of Lovington 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.

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.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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, 2013, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; and each participating employee was required to contribute 1.00% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City’s contribution to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$16,977, \$15,457, and \$10,872, respectively, which equal the required contribution for each year.

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 11. 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.

NOTE 12. 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 13. 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, 2013

NOTE 13. 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 04/01/2008 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, 2013

NOTE 13. 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 07/01/2012 Ending 06/30/2013
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 07/01/2012 Ending 06/30/2013
Amount of project	Unknown
City contributions	\$65.50 per inmate per day
Audit responsibility	City of Jal

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 13. 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 fire protection, ambulance, library, and senior citizen services.
Term of agreement	Beginning 07/01/2012 Ending 06/30/2013
Amount of project	\$90,000
City contributions	N/A
Audit responsibility	City of Jal

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 07/01/2012 Ending 06/30/2013
Amount of project	\$120,000
City contributions	\$3,200
Audit responsibility	New Mexico Economic Development Department

STATE OF NEW MEXICO
City of Jal
Notes to Financial Statements
June 30, 2013

NOTE 14. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The following fund had a deficit fund balance for the year ended June 30, 2013:

Cemetery Special Revenue Fund	\$	196
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- B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2013:

General Fund	\$	159,102
State Fire Special Revenue Fund		10,349
Water and Sewer Fund		113,028
Solid Waste Fund		47,836
		\$ 330,315

- C. Designated cash appropriations exceeded prior year available balances. There were not any funds which had designated cash appropriations in excess of available balances for the year ended June 30, 2013.

NOTE 15. Subsequent Pronouncements

In March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City is analyzing the effects that this pronouncement will have on their financial statements.

In March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 *Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Report and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contain in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The City is analyzing the effects that this pronouncement will have on their financial statements.

In June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 *Financial Reporting for Pension Plans- an amendment of GASB Statements No. 25*, effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local government pension plans. The City is analyzing the effects that this pronouncement will have on their financial statements.

In June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions- an amendment of GASB Statements No. 27*, effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. 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, 2013

NOTE 15. Subsequent Pronouncements (continued)

In January 2013 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, effective for periods beginning after December 15, 2013. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The City is analyzing the effects that this pronouncement will have on their financial statements.

NOTE 16. 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, 2013, the City has an obligation of \$139,892 for this contract.

NOTE 17. 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.

NOTE 18. Restatement

The City has restated budgetary, and as a result, full accrual net position for the water and sewer proprietary fund due to an incorrect balance in meter deposits in prior years. The restatement was in the amount of \$47,041.

NOTE 19. Net Position

The government-wide statement of net position reports \$570,439 of restricted net position, all of which is restricted by enabling legislation. See the fund descriptions on pages 30 and 49 for the related enabling legislation.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
City of Jal
Nonmajor Governmental Fund Descriptions
June 30, 2013

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. Fund authority is NMSA 24-10A-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. Fund 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. Fund 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. Fund 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. (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. (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. (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. (City Ordinance)

STATE OF NEW MEXICO
City of Jal
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue			
	EMS	Street	Recreation	Cemetery
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 69,246	\$ 5,764	\$ 5,013
Receivables				
Other taxes	-	2,602	-	-
Other receivables	-	-	-	-
<i>Total assets</i>	\$ -	\$ 71,848	\$ 5,764	\$ 5,013
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 3,676	\$ -	\$ 5,209
<i>Total liabilities</i>	-	3,676	-	5,209
<i>Fund balances</i>				
Spendable				
Restricted	-	68,172	5,764	(196)
<i>Total fund balances</i>	-	68,172	5,764	(196)
<i>Total liabilities and fund balances</i>	\$ -	\$ 71,848	\$ 5,764	\$ 5,013

The accompanying notes are an integral part of these financial statements

<u>Special Revenue</u>				<u>Total Nonmajor Governmental Funds</u>
<u>Corrections</u>	<u>Law Enforcement</u>	<u>Youth and Aged</u>	<u>Environmental</u>	
\$ 37,684	\$ -	\$ 55,329	\$ 158,680	\$ 331,716
-	-	26,187	5,455	34,244
<u>1,200</u>	<u>22,400</u>	<u>2,694</u>	<u>-</u>	<u>26,294</u>
<u>\$ 38,884</u>	<u>\$ 22,400</u>	<u>\$ 84,210</u>	<u>\$ 164,135</u>	<u>\$ 392,254</u>
\$ 167	\$ -	\$ 11,898	\$ -	\$ 20,950
<u>167</u>	<u>-</u>	<u>11,898</u>	<u>-</u>	<u>20,950</u>
<u>38,717</u>	<u>22,400</u>	<u>72,312</u>	<u>164,135</u>	<u>371,304</u>
<u>38,717</u>	<u>22,400</u>	<u>72,312</u>	<u>164,135</u>	<u>371,304</u>
<u>\$ 38,884</u>	<u>\$ 22,400</u>	<u>\$ 84,210</u>	<u>\$ 164,135</u>	<u>\$ 392,254</u>

STATE OF NEW MEXICO
City of Jal
Combining Statement of Revenues, Expenditures, and Change in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue			
	EMS	Street	Recreation	Cemetery
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	51,226	-	-
Intergovernmental				
Federal operating grants	-	-	-	-
State operating grants	5,745	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	82	-	10,425
<i>Total revenues</i>	<u>5,745</u>	<u>51,308</u>	<u>-</u>	<u>10,425</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	15,627
Public safety	-	-	-	-
Public works	-	40,579	-	-
Culture and recreation	-	-	-	-
Health and welfare	5,337	-	-	-
<i>Total expenditures</i>	<u>5,337</u>	<u>40,579</u>	<u>-</u>	<u>15,627</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>408</u>	<u>10,729</u>	<u>-</u>	<u>(5,202)</u>
<i>Other financing sources (uses)</i>				
Operating transfers (out)	(408)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(408)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	10,729	-	(5,202)
<i>Fund balances, beginning</i>	<u>-</u>	<u>57,443</u>	<u>5,764</u>	<u>5,006</u>
<i>Fund balances, ending</i>	<u>\$ -</u>	<u>\$ 68,172</u>	<u>\$ 5,764</u>	<u>\$ (196)</u>

The accompanying notes are an integral part of these financial statements

Special Revenue				Total Nonmajor Governmental Funds
Corrections	Law Enforcement	Youth and Aged	Environmental	
\$ -	\$ -	\$ 173,390	\$ 36,122	\$ 209,512
-	-	-	-	51,226
-	-	28,970	-	28,970
-	45,400	24,435	-	75,580
10,206	-	33,339	-	43,545
-	-	9,936	-	20,443
<u>10,206</u>	<u>45,400</u>	<u>270,070</u>	<u>36,122</u>	<u>429,276</u>
-	-	-	-	15,627
5,997	23,000	-	-	28,997
-	-	-	-	40,579
-	-	219,174	-	219,174
-	-	-	-	5,337
<u>5,997</u>	<u>23,000</u>	<u>219,174</u>	<u>-</u>	<u>309,714</u>
<u>4,209</u>	<u>22,400</u>	<u>50,896</u>	<u>36,122</u>	<u>119,562</u>
-	(42)	-	-	(450)
-	(42)	-	-	(450)
4,209	22,358	50,896	36,122	119,112
<u>34,508</u>	<u>42</u>	<u>21,416</u>	<u>128,013</u>	<u>252,192</u>
<u>\$ 38,717</u>	<u>\$ 22,400</u>	<u>\$ 72,312</u>	<u>\$ 164,135</u>	<u>\$ 371,304</u>

STATE OF NEW MEXICO

Statement B-1

City of Jal

EMS Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	4,500	5,745	5,745	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,500</u>	<u>5,745</u>	<u>5,745</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	4,500	5,745	5,337	408
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,500</u>	<u>5,745</u>	<u>5,337</u>	<u>408</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	408	408
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Loan proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(408)	(408)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(408)</u>	<u>(408)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance, beginning</i>	-	-	-	-
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments to revenues			-	
No adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

City of Jal

Street Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	33,000	52,173	52,173	-
Other	-	-	-	-
Intergovernmental				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	82	82	-
<i>Total revenues</i>	<u>33,000</u>	<u>52,255</u>	<u>52,255</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	33,000	37,244	36,903	341
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>33,000</u>	<u>37,244</u>	<u>36,903</u>	<u>341</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	15,011	15,352	341
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(15,011)	-	15,011
Loan proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(15,011)</u>	<u>-</u>	<u>15,011</u>
<i>Net change in fund balance</i>	-	-	15,352	15,352
<i>Fund balance, beginning</i>	-	-	53,894	53,894
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,246</u>	<u>\$ 69,246</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 15,352	
Adjustments to revenues for other taxes receivable			(947)	
Adjustments to expenditures for accounts payable			(3,676)	
Net change in fund balance (GAAP basis)			<u>\$ 10,729</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

City of Jal

Recreation Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(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	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Loan proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance, beginning</i>	-	-	5,764	5,764
<i>Fund balance, ending</i>	\$ -	\$ -	\$ 5,764	\$ 5,764
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments to revenues			-	
No adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			\$ -	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

City of Jal

Cemetery Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	10,425	10,425	-
<i>Total revenues</i>	<u>10,000</u>	<u>10,425</u>	<u>10,425</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	8,500	10,441	10,440	1
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,500</u>	<u>10,441</u>	<u>10,440</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,500</u>	<u>(16)</u>	<u>(15)</u>	<u>1</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(1,500)	16	-	(16)
Proceeds from sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,500)</u>	<u>16</u>	<u>-</u>	<u>(16)</u>
<i>Net change in fund balance</i>	-	-	(15)	(15)
<i>Fund balance, beginning</i>	-	-	5,028	5,028
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,013</u>	<u>\$ 5,013</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (15)	
No adjustments to revenues			-	
Adjustments to expenditures for accounts payable			(5,187)	
Net change in fund balance (GAAP basis)			<u>\$ (5,202)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

City of Jal

Corrections Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	20,000	9,775	9,775	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>20,000</u>	<u>9,775</u>	<u>9,775</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	9,000	6,003	6,003	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,000</u>	<u>6,003</u>	<u>6,003</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>11,000</u>	<u>3,772</u>	<u>3,772</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(11,000)	(3,772)	-	3,772
Proceeds from sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(11,000)</u>	<u>(3,772)</u>	<u>-</u>	<u>3,772</u>
<i>Net change in fund balance</i>	-	-	3,772	3,772
<i>Fund balance, beginning</i>	-	-	33,912	33,912
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,684</u>	<u>\$ 37,684</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 3,772	
Adjustments to revenues for other receivables			431	
Adjustments to expenditures for accounts payable			6	
Net change in fund balance (GAAP basis)			<u>\$ 4,209</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

City of Jal

Law Enforcement Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	-	-	-	-
<i>Total revenues</i>	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	23,000	23,000	23,000	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(42)	(42)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(42)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(42)</u>
<i>Fund balance, beginning</i>	<u>-</u>	<u>-</u>	<u>42</u>	<u>42</u>
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (42)	
Adjustments to revenues for other receivables			22,400	
No adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 22,358</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

City of Jal

Youth and Aged Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	85,000	155,385	155,385	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal operating grants	24,000	29,628	29,628	-
Federal capital grants	-	-	-	-
State operating grants	28,000	24,508	24,508	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	35,000	33,339	33,339	-
Investment income	-	-	-	-
Miscellaneous	20,000	9,936	9,936	-
<i>Total revenues</i>	<u>192,000</u>	<u>252,796</u>	<u>252,796</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	192,000	209,036	209,035	1
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>192,000</u>	<u>209,036</u>	<u>209,035</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>43,760</u>	<u>43,761</u>	<u>1</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(43,760)	-	43,760
Proceeds from sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(43,760)</u>	<u>-</u>	<u>43,760</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>43,761</u>	<u>43,761</u>
<i>Fund balance, beginning</i>	<u>-</u>	<u>-</u>	<u>11,568</u>	<u>11,568</u>
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,329</u>	<u>\$ 55,329</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 43,761	
Adjustments to revenues for other taxes receivable and other receivables			17,274	
Adjustments to expenditures for accounts payable			(10,139)	
Net change in fund balance (GAAP basis)			<u>\$ 50,896</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

City of Jal

Environmental Special Revenue Fund

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	20,000	32,372	32,372	-
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>20,000</u>	<u>32,372</u>	<u>32,372</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>20,000</u>	<u>32,372</u>	<u>32,372</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(20,000)	(32,372)	-	32,372
Proceeds from sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(20,000)</u>	<u>(32,372)</u>	<u>-</u>	<u>32,372</u>
<i>Net change in fund balance</i>	-	-	32,372	32,372
<i>Fund balance, beginning</i>	-	-	126,308	126,308
<i>Fund balance, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,680</u>	<u>\$ 158,680</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 32,372	
Adjustments to revenues for other taxes receivable			3,750	
No adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 36,122</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 Change in Net Position
 Budget (GAAP Basis) and Actual
 Water and Sewer Fund
 For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 901,000	\$ 1,639,727	\$ 1,189,351	\$ (450,376)
<i>Total operating revenues</i>	<u>901,000</u>	<u>1,639,727</u>	<u>1,189,351</u>	<u>(450,376)</u>
<i>Operating expenses</i>				
Personnel services	257,000	344,485	342,844	1,641
Contractual services	70,000	59,750	67,221	(7,471)
Supplies and purchased power	12,000	12,455	11,003	1,452
Repairs and maintenance	110,000	707,467	813,041	(105,574)
Utilities	105,000	138,923	140,905	(1,982)
Other operating expenses	116,500	89,777	90,871	(1,094)
<i>Total operating expenses</i>	<u>670,500</u>	<u>1,352,857</u>	<u>1,465,885</u>	<u>(113,028)</u>
<i>Operating income (loss)</i>	<u>230,500</u>	<u>286,870</u>	<u>(276,534)</u>	<u>(563,404)</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts tax income	38,000	78,272	78,272	-
Gross receipts tax expense	(38,000)	(79,057)	(75,986)	3,071
Investment income	-	-	-	-
Interest expense	-	-	(42,957)	(42,957)
Miscellaneous income	100	9,582	4,144	(5,438)
<i>Total non-operating revenues (expenses)</i>	<u>100</u>	<u>8,797</u>	<u>(36,527)</u>	<u>(45,324)</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 position</i>	230,600	295,667	(313,061)	(608,728)
Designated cash (budgeted increase in cash)	(230,600)	(295,667)	-	295,667
<i>Total net position, beginning</i>	<u>-</u>	<u>-</u>	<u>1,642,814</u>	<u>1,642,814</u>
<i>Total net position, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,329,753</u>	<u>\$ 1,329,753</u>
<i>Change in net position, above</i>			\$ (313,061)	
Depreciation			<u>(80,772)</u>	
<i>Change in net position, Exhibit D-2</i>			<u>\$ (393,833)</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 Change in Net Position
 Budget (GAAP Basis) and Actual
 Solid Waste Fund
 For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 273,100	\$ 330,884	\$ 325,748	\$ (5,136)
<i>Total operating revenues</i>	<u>273,100</u>	<u>330,884</u>	<u>325,748</u>	<u>(5,136)</u>
<i>Operating expenses</i>				
Personnel services	28,000	39,889	41,286	(1,397)
Contractual services	238,000	288,813	334,117	(45,304)
Supplies and purchased power	-	-	-	-
Repairs and maintenance	2,000	2,394	4,111	(1,717)
Utilities	-	-	-	-
Other operating expenses	11,000	4,950	4,368	582
<i>Total operating expenses</i>	<u>279,000</u>	<u>336,046</u>	<u>383,882</u>	<u>(47,836)</u>
<i>Operating income (loss)</i>	<u>(5,900)</u>	<u>(5,162)</u>	<u>(58,134)</u>	<u>(52,972)</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts tax income	14,000	15,507	15,508	1
Gross receipts tax expense	(14,000)	(15,109)	(16,580)	(1,471)
Investment income	-	-	-	-
Interest expense	-	-	-	-
Miscellaneous income	35,000	54,918	48,824	(6,094)
<i>Total non-operating revenues (expenses)</i>	<u>35,000</u>	<u>55,316</u>	<u>47,752</u>	<u>(7,564)</u>
<i>Government contributions and transfers</i>				
Government contributions	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<i>Total government contributions and transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net position</i>	29,100	50,154	(10,382)	(60,536)
Designated cash (budgeted increase in cash)	(29,100)	(50,154)	-	50,154
<i>Total net position, beginning</i>	<u>-</u>	<u>-</u>	<u>67,611</u>	<u>67,611</u>
<i>Total net position, ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,229</u>	<u>\$ 57,229</u>
<i>Change in net position, above</i>			\$ (10,382)	
No depreciation			<u>-</u>	
<i>Change in net position, Exhibit D-2</i>			<u>\$ (10,382)</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Jal
Schedule of Deposit and Investment Accounts
June 30, 2013

Schedule I

Bank Account Type/Name	Wells Fargo Bank Bank	NMFA	Totals
Deposits			
Interfund-Checking	\$ 1,520,215	\$ -	\$ 1,520,215
Payroll-Checking	12,159	-	12,159
EMS Donations - Checking	451	-	451
Municipal Court - Checking	9,139	-	9,139
Trust Account - Checking	-	369,023	369,023
Certificate of Deposit	300,042	-	300,042
Certificate of Deposit	77,613	-	77,613
Total amount of deposits in bank	<u>1,919,619</u>	<u>369,023</u>	<u>2,288,642</u>
Less: FDIC coverage	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total uninsured public funds	<u>1,419,619</u>	<u>369,023</u>	<u>1,788,642</u>
50% collateral requirements	709,810	-	709,810
Pledged securities	<u>1,910,910</u>	<u>-</u>	<u>1,910,910</u>
Over/(under) collateralized	<u>1,201,101</u>	<u>-</u>	<u>1,201,101</u>
Bank balance	1,919,619	369,023	2,288,642
Outstanding items	(145,887)	-	(145,887)
Deposits in transit	-	-	-
Other adjustments	607	-	607
Book balance	<u>\$ 1,774,339</u>	<u>\$ 369,023</u>	<u>\$ 2,143,362</u>
Plus: Petty cash			450
Total deposits and investments			<u>\$ 2,143,812</u>
Cash, cash equivalents and restricted cash per financial statements:			
Governmental Activities - Exhibit A-1			1,043,048
Business-type Activities - Exhibit A-1			1,086,506
Agency funds - Exhibit E-1			14,258
Total cash and cash equivalents and investments			<u>\$ 2,143,812</u>

STATE OF NEW MEXICO
City of Jal
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2013

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2013	Location of Safekeeper
Wells Fargo Bank					
	FMAC FGPC 3.00%	09/01/26	3128PWMK1	\$ 1,179,306	Bank of New York Mellon, New York City, NY
	FNMA FNMS 4.50%	03/01/41	3138AAYX3	111,803	Bank of New York Mellon, New York City, NY
	FNMA FNMS 4.00%	08/01/26	3138EGU69	103,837	Bank of New York Mellon, New York City, NY
	FNMA FNMS 3.00%	09/01/42	3138MACM8	101,563	Bank of New York Mellon, New York City, NY
	FNMA FNMS 3.00%	02/01/43	3138MSC56	38,552	Bank of New York Mellon, New York City, NY
	FNMA FNMS 3.00%	01/01/43	3138NXES2	38,340	Bank of New York Mellon, New York City, NY
	FNMA FNMS 3.00%	03/01/43	3138W7GG3	24,240	Bank of New York Mellon, New York City, NY
	FNMA FNMS 3.00%	03/01/43	3138W7GH1	121,307	Bank of New York Mellon, New York City, NY
	FNMA FNMS 3.00%	01/01/43	31417EKT7	115,371	Bank of New York Mellon, New York City, NY
	FNMA FNMS 4.00%	12/01/39	31419AGZ4	<u>76,591</u>	Bank of New York Mellon, New York City, NY
	Total Pledged Collateral			<u><u>\$ 1,910,910</u></u>	

STATE OF NEW MEXICO
City of Jal
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

Schedule III

	<u>Balance at June 30, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance at June 30, 2013</u>
<i>Motor Vehicle</i>				
Assets				
Cash and cash equivalents	\$ 4,736	\$ 9,802	\$ 10,138	\$ 4,400
<i>Total assets</i>	<u>\$ 4,736</u>	<u>\$ 9,802</u>	<u>\$ 10,138</u>	<u>\$ 4,400</u>
Liabilities				
Deposits held in trust for others	\$ 4,736	\$ 9,802	\$ 10,138	\$ 4,400
<i>Total liabilities</i>	<u>\$ 4,736</u>	<u>\$ 9,802</u>	<u>\$ 10,138</u>	<u>\$ 4,400</u>
<i>Municipal Court</i>				
Assets				
Cash and cash equivalents	\$ 4,097	\$ 49,732	\$ 44,690	\$ 9,139
<i>Total assets</i>	<u>\$ 4,097</u>	<u>\$ 49,732</u>	<u>\$ 44,690</u>	<u>\$ 9,139</u>
Liabilities				
Deposits held in trust for others	\$ 4,097	\$ 49,732	\$ 44,690	\$ 9,139
<i>Total liabilities</i>	<u>\$ 4,097</u>	<u>\$ 49,732</u>	<u>\$ 44,690</u>	<u>\$ 9,139</u>
<i>EMS Donations</i>				
Assets				
Cash and cash equivalents	\$ 450	\$ 1	\$ -	\$ 451
<i>Total assets</i>	<u>\$ 450</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 451</u>
Liabilities				
Deposits held in trust for others	\$ 450	\$ 1	\$ -	\$ 451
<i>Total liabilities</i>	<u>\$ 450</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 451</u>
<i>Payroll Cash</i>				
Assets				
Cash and cash equivalents	\$ -	\$ 2,455	\$ 2,187	\$ 268
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 2,455</u>	<u>\$ 2,187</u>	<u>\$ 268</u>
Liabilities				
Deposits held in trust for others	\$ -	\$ 2,455	\$ 2,187	\$ 268
<i>Total liabilities</i>	<u>\$ -</u>	<u>\$ 2,455</u>	<u>\$ 2,187</u>	<u>\$ 268</u>

See independent auditors' report

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the City of Jal, New Mexico (the “City”), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplementary information. We have also audited the financial statements of each of the City’s nonmajor governmental funds and the budgetary comparisons of the proprietary funds and the remaining nonmajor governmental funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, and have issued our report thereon dated November 14, 2013. This report contains an opinion modification, the nature of which is a qualification over capital assets, accumulated depreciation, and depreciation expense.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 2009-01, FS 2009-09, FS 2009-26, FS 2009-37, FS 2011-01, FS 2011-02, FS 2012-01, FS 2013-01, FS 2013-02, FS 2013-03, and FS 2013-06 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS 2013-04 and FS 2013-07 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as FS 2008-03, FS 2009-07, FS 2010-02, FS 2013-05, and FS 2013-08.

The City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, others within the City, the City Council, 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
Roswell, New Mexico
November 14, 2013

STATE OF NEW MEXICO
City of Jal
Schedule of Findings and Responses
June 30, 2013

Section I- Summary of Audit Results

Financial Statements:

- | | |
|--|-----------|
| 1. Type of auditors' report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

Section II- Prior Year Audit Findings

- | | |
|---|----------------------|
| FS 2008-03 Disaster Recovery Plan | Revised and Repeated |
| FS 2009-01 Record Keeping | Revised and Repeated |
| FS 2009-07 Expenditures in Excess of Budget | Revised and Repeated |
| FS 2009-08 Auditor Prepared Financial Statements | Revised and Repeated |
| FS 2009-09 Deficiencies in Internal Control Structure Design, Operation, and Oversight-
Comprehensive Documentation of Internal Controls | Revised and Repeated |
| FS 2009-26 Deficiencies in Internal Control Structure Design, Operation, and Oversight-
Central Accounting Function Does Not Have Proper Authority | Revised and Repeated |
| FS 2009-34 Deficiencies in Internal Control Structure Design, Operation, and Oversight-
Lack of Establishing Internal Reporting Responsibilities for Each Department | Resolved |
| FS 2009-37 Deficiencies in Internal Control Structure Design, Operation, and Oversight-
Lack of Adequate Supervision of Decentralized Operations | Revised and Repeated |
| FS 2010-02 Noncompliance with the Procurement Code | Revised and Repeated |
| FS 2010-05 PERA and RHC Reconciliations | Resolved |
| FS 2011-01 Lack of IT Strategic Planning, Oversight, and Risk Assessment | Revised and Repeated |
| FS 2011-02 Lack of IT Strategic Planning, Oversight, and Risk Assessment | Revised and Repeated |
| FS 2012-01 Deficiencies in Internal Control Structure Design, Operation, and Oversight-
Capital Asset Deficiency | Revised and Repeated |
| FS 2012-02 Deficiencies in Internal Control Structure Design, Operation, and Oversight-
Missing Purchase Orders | Resolved |
| FA 2012-01 Late Reports | Resolved |
| FA 2012-02 Deficiencies in Internal Control Structure Design, Operation, and Oversight-
Preparing a Schedule of Federal Expenditures | Resolved |

Section III – Financial Statement Findings

FS 2008-03 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. This plan should be detailed and include a step-by-step process on the procedures the City is to follow in the event of a disaster. Disaster recovery procedures should be tested periodically to ensure recoverability of computer systems.

Views of Responsible Officials and Planned Corrective Actions: The City will implement a disaster recovery plan to ensure that an approved plan is in place for critical applications. This plan will be detailed and include a step-by-step process on the procedures the City is to follow in the event of a disaster. Disaster recovery procedures will be tested periodically to ensure recoverability of computer systems.

Section III– Financial Statement Findings (continued)

FS 2009-01 Record Keeping (Material Weakness)

Condition: Activity for the municipal court, NMFA loan, and EMS donations 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. Before the adjustments were made, the City’s cash per the trial balance was understated by \$364,596.

Cause: The municipal court funds are maintained by the Special Projects Coordinator throughout the year and this activity is not shared with the City Treasurer. The EMS donations are maintained by the EMS department and this activity is not shared with the City Treasurer. The NMFA loan is not recorded on the books when monthly statements are received.

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 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.

STATE OF NEW MEXICO
City of Jal
Schedule of Findings and Responses
June 30, 2013

Section III– Financial Statement Findings (continued)

FS 2009-07 Expenditures in Excess of Budget (Other)

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

General Fund	\$ 159,102
State Fire Special Revenue Fund	10,349
Water and Sewer Fund	113,028
Solid Waste Fund	47,836
	<u>\$ 330,315</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 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.

Section III– Financial Statement Findings (continued)

FS 2009-09 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 was unable to provide an accurate Accounts Receivable listing, and material journal entries in the amount of \$167,059 were required to reasonably state the year end balance.

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 not yet fully implemented, management and staff are unsure about what procedures and processes to follow. Controls are not operating to prevent or detect intentional misstatements of accounting information.

Cause: The City recently put documented policies in place to ensure internal controls were in place and working properly. They are still in the process of getting everything implemented.

Auditors’ Recommendation: We recommend that the City of Jal implement their comprehensive internal control processes.

Views of Responsible Officials and Planned Corrective Actions: The City of Jal will ensure the implemented comprehensive internal control processes is followed.

Section III– Financial Statement Findings (continued)

FS 2009-26 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 properly investigate and resolve 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 not yet fully implemented, management and staff are unsure about what procedures and processes to follow. Controls are not operating to prevent or detect intentional misstatements of accounting information.

Cause: The City recently put documented policies in place to ensure internal controls were in place and working properly. They are still in the process of getting everything implemented.

Auditors’ Recommendation: We recommend that the City of Jal implement their comprehensive internal control processes.

Views of Responsible Officials and Planned Corrective Actions: The City of Jal will ensure the implemented comprehensive internal control processes is followed.

Section III– Financial Statement Findings (continued)

FS 2009-37 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 not yet fully implemented, management and staff are unsure about what procedures and processes to follow. Controls are not operating to prevent or detect intentional misstatements of accounting information.

Cause: The City recently put documented policies in place to ensure internal controls were in place and working properly. They are still in the process of getting everything implemented.

Auditors’ Recommendation: We recommend that the City of Jal implement their comprehensive internal control processes.

Views of Responsible Officials and Planned Corrective Actions: The City of Jal will ensure the implemented comprehensive internal control processes is followed.

Section III– Financial Statement Findings (continued)

FS 2010-02 Noncompliance with the Procurement Code (Other)

Condition: During our testwork regarding compliance with the New Mexico Procurement Code, the City provided bid documents but failed to maintain sufficient records to support the assertion that management complied with the required level of documentation for procurement. Files were maintained, but they were not organized in a clear manner with all documentation in one file.

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.

The New Mexico Procurement Code, Section 13-1-1 to 13-1-199, NMSA 1978 documents the requirements required by the Purchasing Act. Such requirements include:

- 1) For single purchases in excess of \$20,000 for tangible property or in excess of \$50,000 for services, sealed, written bids must be solicited.
- 2) Notice of sealed bids must be published in a newspaper of general circulation within 10 days prior to opening the bids.
- 3) A five percent preference is given to a bidder growing, producing, processing, manufacturing, or is a resident dealer for goods and services in the State of New Mexico.
- 4) The bid is awarded to the lowest bidder, except in the instance that one or more bidders have been evaluated as having a higher score than the lowest bidder.
- 5) Written notice is provided to the awarded bidder with reasonable promptness.
- 6) A Campaign Contribution Disclosure Form is included with the awarded bid for professional services.

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. When files are disorganized, this provides for the possibility that noncompliance with the Procurement Code could go unnoticed by management.

Cause: The City does not have a policy in place that provides for the record keeping of bid files.

Auditors’ Recommendation: We recommend that a list of all bids be maintained for each fiscal year as well as organizing the bid files by bid with all documents for each bid being kept in a single file. Requests for bids or proposals should be numbered numerically to allow for better tracking. Copies of written bids sent out should be kept in the file along with newspaper clippings, received bids submitted by vendors, evaluation sheets completed by the board of directors, documented written notice of awarding the bidder, and a Campaign Contribution Disclosure Form in the event of a request for professional services.

Views of Responsible Officials and Planned Corrective Actions: The City will maintain a list of all bids for each fiscal year as well as organize the bid files by bid with all documents for each bid being kept in a single file. Requests for bids or proposals will be numbered numerically to allow for better tracking. Copies of written bids sent out will be kept in the file along with newspaper clippings, received bids submitted by vendors, evaluation sheets completed by the board of directors, documented written notice of awarding the bidder, and a Campaign Contribution Disclosure Form in the event of a request for professional services.

Section III– Financial Statement Findings (continued)

FS 2011-01 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 2013 management did not have a documented IT policy to ensure internal controls were in place and working properly.

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 create an IT committee to meet annually and discuss IT strategy, plan for oversight, and assess potential IT-related risk.

Section III– Financial Statement Findings (continued)

FS 2011-02 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 2013 management did not have a documented IT policy to ensure internal controls were in place and working properly.

Auditors’ Recommendation: We recommend that the City create and document policies and procedures pertaining to IT and IT security. This policy should be detailed in a way that specifically describes the policy so that personnel completely understand the procedures that are to be followed.

Views of Responsible Officials and Planned Corrective Actions: The City will create and document policies and procedures pertaining to IT and IT security. This policy will be detailed in a way that specifically describes the policy so that personnel completely understand the procedures that are to be followed.

Section III– Financial Statement Findings (continued)

FS 2012-01 Deficiencies in Internal Control Structure Design, Operation and Oversight- Capital Asset Deficiency (Material Weakness)

Condition: It was noted in the testwork over capital assets that the client was unable to provide a complete and comprehensive capital asset listing that includes purchase date, depreciation expense, and accumulated depreciation.

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 not yet fully implemented, management and staff are unsure about what procedures and processes to follow. Controls are not operating to prevent or detect intentional misstatements of accounting information.

Cause: Management has enlisted the assistance of RCI, Inc., a capital asset inventory firm to assist them in preparing a complete and comprehensive list of capital assets. A complete inventory was performed in fiscal year 2012, but the City has been unable to compile a complete list with all relevant information. An inventory was not performed at the end of fiscal year 2013. This is a violation of the City’s Capital Asset Policy that states, “The fixed asset shall be entered into the computerized fixed asset inventory file to include all pertinent information and date required. It shall be the responsibility of City Clerk/Treasurer to appropriately update and maintain a permanent Fixed Asset File.”

Auditors’ Recommendation: The City should ensure that all information is accurately recorded regarding fixed asset information and is entered into the system correctly.

Views of Responsible Officials and Planned Corrective Actions: The City will ensure that all information is accurately recorded regarding fixed asset information and is entered into the system correctly.

Section III– Financial Statement Findings (continued)

FS 2013-01 Reconciling the Bank to the General Ledger (Material Weakness)

Condition: The City has not been reconciling their bank to their general ledger.

Criteria: Section 6-6-3 NMSA, 1978 discusses the need for the City to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

Effect: Without appropriately reconciled bank statements, the City has no assurance that all revenues and disbursements have been recorded or that their general ledger reflects accurate cash balances.

Cause: The City implemented a new accounting system in fiscal year 2013. While the new system is providing a reconciliation of sorts, it has not provided the needed reconciliation for the City to be able to reconcile their bank balance to their book balance.

Auditors' Recommendation: The City should either figure out how to utilize their accounting software to provide an adequate bank reconciliation or prepare their own bank reconciliation that ties to the general ledger.

Views of Responsible Officials and Planned Corrective Actions: The City will find training to utilize the accounting software to provide adequate bank reconciliation and/or prepare our own bank reconciliation that tie to the general ledger.

Section III– Financial Statement Findings (continued)

FS 2013-02 DFA Cash Report Does not Reconcile to the City’s Cash by Fund (Material Weakness)

Condition: For the year ended June 30, 2013, the City did not reconcile the cash reported by fund to the Department of Finance and Administration (DFA) to the actual cash on their books and detailed by their bank reconciliation. The DFA report is erroneously reported as greater than the City’s book balances by \$19,079.

Criteria: Per Section 6-6-3 NMSA 1978, 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;
- Make all reports as may be required by the local government division; and
- Conform to the rules and regulations adopted by the local government division.

Effect: The information that is reported to DFA is incorrect and could lead to inappropriate funding of the City.

Cause: City management is not ensuring that cash balances by fund tie to the DFA report.

Auditors’ Recommendation: We recommend the City communicate with DFA regarding what the requirements are for reporting cash balances and report what is required by the DFA.

Views of Responsible Officials and Planned Corrective Actions: The City will communicate with DFA regarding what the requirements are for reporting cash balances and report what is required by the DFA.

Section III– Financial Statement Findings (continued)

FS 2013-03 Bank Reconciliation Preparation (Material Weakness)

Condition: The City did not prepare a bank reconciliation for the EMS donations transfer account, the payroll account, or the municipal court account.

Criteria: NMSA 6-10-2 discusses the duty of public officials to balance public money at the close of each business day. Good accounting practices also require that bank reconciliations are prepared and reviewed at least monthly.

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

Cause: The City was unaware of the need to reconcile all bank accounts even when there is little or no activity.

Auditors' Recommendation: We recommend that the City prepare monthly bank reconciliations for the accounts mentioned above and that the bank reconciliations are reviewed for accuracy by Management.

Views of Responsible Officials and Planned Corrective Actions: The City will prepare monthly bank reconciliations for the accounts mentioned above and the bank reconciliations will be reviewed for accuracy by Management.

Section III– Financial Statement Findings (continued)

FS 2013-04 Lack of Internal Controls Over Voided Checks (Significant Deficiency)

Condition: During our extended procedures over cash, we noted that one of 29 voided checks were unaccounted for in the City offices.

Criteria: Good internal control policy dictates that a City shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting.

Effect: There is an increased risk of theft and alteration of voided checks and potential for misappropriation of City funds.

Cause: Management has not performed a risk assessment in the area of cash and has not implemented cash controls to safeguard voided checks held by the City.

Auditors' Recommendation: We recommend that the City review cash management procedures with the responsible individuals monthly to ensure that all areas of cash have sufficient internal controls, including safeguarding voided checks by keeping them in one place and accounted for.

Views of Responsible Officials and Planned Corrective Actions: The City will review cash management procedures with the responsible individuals monthly to ensure that all areas of cash have sufficient internal controls, including safeguarding voided checks by keeping them in one place and accounted for.

Section III– Financial Statement Findings (continued)

FS 2013-05 Untimely Deposit (Other)

Condition: During our testwork over receipt internal controls, it was noted that two out of five receipts were not deposited within 24 hours of receipt. The total amount of these untimely deposits was \$387.81.

Criteria: Good accounting practices require cash deposits to be made in a timely manner.

Cause: The City of Jal did not have adequate controls in place to ensure deposits were made within the 24 hour period.

Effect: Checks may go missing between receipt and deposit creating a greater chance for a misappropriation of funds.

Auditors' Recommendation: We recommend that the City follow established policies and procedures for cash deposits.

Views of Responsible Officials and Planned Corrective Actions: The City will follow established policies and procedures for cash deposits.

Section III– Financial Statement Findings (continued)

FS 2013-06 Capital Asset Certification (Material Weakness)

Condition: It was noted in the testwork over capital assets that the client did not conduct an annual capital asset inventory that was recorded in a written report, certified as to correctness and signed by the City Council.

Criteria: The New Mexico Administrative Code (NMAC) 2.20.1.16A & E states that “At the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets and the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing body of the agency”.

Effect: Because the City is not conducting a physical inventory annually, the City may have assets they are unaware of or may have assets that have been lost or stolen that they did not know about.

Cause: Management has enlisted the assistance of RCI, Inc., a capital asset inventory firm to assist them in preparing a complete and comprehensive list of capital assets. A complete inventory was performed at the end of fiscal year 2012, but the City has been unable to compile a complete list with all relevant information. The City did not perform an annual inventory for certification by the City Council at the end of fiscal year 2013.

Auditors’ Recommendation: The City should ensure that they perform an annual physical inventory over capital assets and have the City Council certify the inventory as to correctness.

Views of Responsible Officials and Planned Corrective Action: The City will ensure that they perform an annual physical inventory over capital assets and the City Council will certify the inventory as to correctness.

Section III– Financial Statement Findings (continued)

FS 2013-07 Deficiencies in Internal Control Structure Design, Operation and Oversight- Purchase Orders (Significant Deficiency)

Condition: The City has a comprehensive documented internal control structure. However, the use of purchase orders in the design is weak. During the testwork over internal controls for disbursements, we noted that the City is not following their purchasing policy regarding purchase orders. It states “The purchase order is logged into a PO book with sequential numbering. For amounts over \$50, a blank paper form is filled out to include the vendor, quantity, price, department, and purpose. The form is then signed by the department head. The purchase order is entered into the financial software to record an encumbrance within the budget. The purchase order is compared with the corresponding budget before issuance to determine that the budget is adequate. The City Manager approves the purchase order, and the City Clerk/Treasurer faxes or calls in the purchase order.” We noted that the City is not using separate purchase orders for their purchases. They are using the PO log book, but do not have purchase orders attached to the backup of their checks. The PO log book also shows no evidence of being approved by the City Manager. In three instances out of five totaling \$6,360.38, this weakness in controls was noted.

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 controls 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 not being followed, 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 being implemented to prevent or detect intentional misstatements of accounting information.

Cause: The City recently put new policies and procedures in place and are still working on implementing and following these policies and procedures.

Auditors’ Recommendation: We recommend that the City of Jal begin following their policies and procedures closely to ensure that a comprehensive internal control structure is implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process as well as all accounting policies set by the City.

Views of Responsible Officials and Planned Corrective Actions: The City of Jal will begin following their policies and procedures closely to ensure that a comprehensive internal control structure is implemented. The body charged with governance will provide effective oversight of the internal control and financial reporting process as well as all accounting policies set by the City.

Section III– Financial Statement Findings (continued)

FS 2013-08 Late IPA Recommendation Form (Other)

Condition: The City did not submit it's completed and signed IPA Recommendation Form for Audits to the State Auditor by the deadline.

Criteria: The New Mexico Administrative Code (NMAC) 2.2.2.8 paragraph 6 of subsection G states that “the agency shall deliver the fully completed and signed IPA Recommendation Form for Audits and the completed audit contract to the State Auditor by the deadline.” For local public bodies that do not qualify for the tiered system, this deadline date is May 15th.

Effect: Recommendation and related contracts that are not received by the State Auditor is a violation of the New Mexico Administrative Code.

Cause: The City did not submit their IPA Recommendation directly to the State Auditor, which resulted in it being late.

Auditors' Recommendation: We recommend that the City ensure all reports are filed timely with the State Auditor as well as complying with all New Mexico State Statutes.

Views of Responsible Officials and Planned Corrective Actions: The City will ensure that all reports are filed on time with the State Auditor as well as complying with all New Mexico State Statutes.

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STATE OF NEW MEXICO

City of Jal
Other Disclosures
June 30, 2013

Exit Conference

An exit conference was held on November 14, 2013. In attendance were the following:

Representing the City of Jal

Cheryl Chance	Mayor
James D. Jennings	Councilor
Jim Ellison	Councilor
Jenny Edwards	City Clerk/Treasurer

Representing Accounting & Consulting Group, LLP

Jessica Huff, CPA	In-charge Staff Accountant
Eric Olson	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.