

STATE OF NEW MEXICO
CITY OF JAL
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
CITY OF JAL
FOR THE YEAR ENDED JUNE 30, 2015

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CITY OF JAL
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STATE OF NEW MEXICO
CITY OF JAL
OFFICIAL ROSTER
JUNE 30, 2015

ELECTED OFFICIALS

Cheryl Chance	Mayor
Lisa Johnson	Mayor Pro-Tem
Amelia Trevino	City Councilor
Joan Chesser	City Councilor
Mike Orr	City Councilor
James D. Jennings	City Councilor
Jim Ellison	City Councilor

ADMINISTRATIVE OFFICIALS

Bob Gallagher	City Manager
Jenny Edwards	City Clerk/Treasurer



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT AUDITORS' REPORT

Timothy Keller, State Auditor
and the Mayor and City Council of the
City of 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 comparison for the general fund, major special revenue funds, and major proprietary funds of the City of Jal, New Mexico as of and for the year ended June 30, 2015, 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 also have audited the financial statements of each of the City's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 standard 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 auditors' 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, 2015. We were not able to verify accumulated depreciation at July 1, 2014 or the depreciation expense for the fiscal year ended June 30, 2015. 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, 2015 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, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general 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 respective financial position of each nonmajor governmental fund of the City as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the proprietary funds and all nonmajor governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has 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 (GASB), 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. Accounting principles generally accepted in the United States of America require that the GASB 68 schedules on pages 69 - 72, and the budgetary comparison information on pages 78 - 84 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jal, New Mexico's basic financial statements, the combining and individual fund financial statements, and the budgetary comparison. The Schedule of Expenditures of federal awards as required by Office of Management and Budget *Circular A-133*, and combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Federal Awards, and the combining and individual nonmajor fund financial statements 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 the auditing standards generally accepted in the United States of America. In our opinion, the schedule and statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The vendor schedule as required by 2.2.2.10 (A) (2) (9) NMAC 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 February 5, 2016, on our consideration of the City of Jal, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Jal, New Mexico's internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

February 5, 2016

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,320,469	\$ 135,096	\$ 1,455,565
Accounts receivable	543,342	116,924	660,266
Taxes receivable	<u>590,830</u>	<u>-</u>	<u>590,830</u>
Total current assets	2,454,641	252,020	2,706,661
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	77,985	82,435	160,420
Capital assets, net	<u>3,737,317</u>	<u>1,088,518</u>	<u>4,825,835</u>
Total non-current assets	<u>3,815,302</u>	<u>1,170,953</u>	<u>4,986,255</u>
Total assets	6,269,943	1,422,973	7,692,916
DEFERRED OUTFLOWS:			
Deferred outflows - contributions made subsequent to measurement date	<u>65,860</u>	<u>16,840</u>	<u>82,700</u>
Total deferred outflows	<u>65,860</u>	<u>16,840</u>	<u>82,700</u>
Total assets and deferred outflows	<u>\$ 6,335,803</u>	<u>\$ 1,439,813</u>	<u>\$ 7,775,616</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 815,771	\$ 126,104	\$ 941,875
Accrued interest	812	2,324	3,136
Accrued salaries	47,276	11,355	58,631
Unapplied deposits	-	82,435	82,435
Current portion of long-term debt	<u>56,400</u>	<u>49,873</u>	<u>106,273</u>
Total current liabilities	920,259	272,091	1,192,350
NON-CURRENT LIABILITIES:			
Compensated absences	1,394	152	1,546
Net pension liability	618,872	158,240	777,112
Long-term debt, less current maturities	<u>388,579</u>	<u>423,508</u>	<u>812,087</u>
Total non-current liabilities	<u>1,008,845</u>	<u>581,900</u>	<u>1,590,745</u>
Total liabilities	1,929,104	853,991	2,783,095
DEFERRED INFLOWS:			
Deferred inflows - change in assumption	11,838	3,027	14,865
Deferred inflows - net difference between projected and actual investment earnings	<u>239,372</u>	<u>61,205</u>	<u>300,577</u>
Total deferred inflows	<u>251,210</u>	<u>64,232</u>	<u>315,442</u>
Total liabilities and deferred inflows	2,180,314	918,223	3,098,537
NET POSITION			
Net investment in capital assets	3,292,338	615,137	3,907,475
Restricted for:			
Special revenue funds	258,769	-	258,769
Unrestricted	<u>604,382</u>	<u>(93,547)</u>	<u>510,835</u>
Total net position	<u>4,155,489</u>	<u>521,590</u>	<u>4,677,079</u>
Total liabilities, deferred inflows, and net position	<u>\$ 6,335,803</u>	<u>\$ 1,439,813</u>	<u>\$ 7,775,616</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONAL/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 1,371,366	\$ -	\$ 445,900	\$ 324,813	\$ (600,653)	\$ -	\$ (600,653)
Public safety	1,106,033	101,740	215,289	-	(789,004)	-	(789,004)
Public works	261,101	13,575	-	100,000	(147,526)	-	(147,526)
Culture and recreation	428,009	32,011	52,827	-	(343,171)	-	(343,171)
Health and welfare	1,031,954	-	-	-	(1,031,954)	-	(1,031,954)
Interest on long-term debt	15,481	-	-	-	(15,481)	-	(15,481)
Total governmental activities	<u>4,213,944</u>	<u>147,326</u>	<u>714,016</u>	<u>424,813</u>	<u>(2,927,789)</u>	<u>-</u>	<u>(2,927,789)</u>
Business-type activities:							
Water and sewer	1,091,544	819,148	-	537,248	-	264,852	264,852
Solid waste	375,152	386,059	-	-	-	10,907	10,907
Total business-type activities	<u>1,466,696</u>	<u>1,205,207</u>	<u>-</u>	<u>537,248</u>	<u>-</u>	<u>275,759</u>	<u>275,759</u>
Total primary government	<u>5,680,640</u>	<u>1,352,533</u>	<u>714,016</u>	<u>962,061</u>	<u>(2,927,789)</u>	<u>275,759</u>	<u>(2,652,030)</u>
General Revenues:							
Gross receipts taxes					2,819,838	40,062	2,859,900
Franchise taxes					45,683	-	45,683
Property taxes					161,958	-	161,958
Gasoline taxes					76,665	-	76,665
MVD taxes					33,742	-	33,742
Licenses and fees					97,758	(19,075)	78,683
Miscellaneous revenue					162,900	58,972	221,872
Total general revenues and transfers					<u>3,398,544</u>	<u>79,959</u>	<u>3,478,503</u>
Changes in net position					470,755	355,718	826,473
Net position, beginning of year, as previously stated					4,425,392	380,820	4,806,212
Restatement					<u>(740,658)</u>	<u>(214,948)</u>	<u>(955,606)</u>
Net position, beginning of year, as restated					<u>3,684,734</u>	<u>165,872</u>	<u>3,850,606</u>
Net position, end of year					<u>\$ 4,155,489</u>	<u>\$ 521,590</u>	<u>\$ 4,677,079</u>

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
CITY OF JAL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Inter- Government al Grants	Youth and Aged	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 947,369	\$ -	\$ 175,126	\$ 197,974	\$ 1,320,469
Restricted cash and cash equivalents	77,985	-	-	-	77,985
Accounts receivable	50,776	492,566	-	-	543,342
Taxes receivable	516,054	-	56,294	18,482	590,830
Due from other funds	99,802	-	-	-	99,802
	<u>1,691,986</u>	<u>492,566</u>	<u>231,420</u>	<u>216,456</u>	<u>2,632,428</u>
Total assets	<u>\$ 1,691,986</u>	<u>\$ 492,566</u>	<u>\$ 231,420</u>	<u>\$ 216,456</u>	<u>\$ 2,632,428</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 316,063	\$ 278,052	\$ 109,091	\$ 112,565	\$ 815,771
Accrued salaries	47,276	-	-	-	47,276
Due to other funds	-	99,802	-	-	99,802
	<u>363,339</u>	<u>377,854</u>	<u>109,091</u>	<u>112,565</u>	<u>962,849</u>
Total liabilities	363,339	377,854	109,091	112,565	962,849
Fund balances:					
Restricted, reported in:					
Special revenue funds	-	-	122,329	136,440	258,769
Unassigned, reported in:					
Special revenue funds	-	114,712	-	(32,549)	82,163
General fund	1,328,647	-	-	-	1,328,647
	<u>1,328,647</u>	<u>114,712</u>	<u>122,329</u>	<u>103,891</u>	<u>1,669,579</u>
Total fund balances	<u>1,328,647</u>	<u>114,712</u>	<u>122,329</u>	<u>103,891</u>	<u>1,669,579</u>
Total liabilities and fund balances	<u>\$ 1,691,986</u>	<u>\$ 492,566</u>	<u>\$ 231,420</u>	<u>\$ 216,456</u>	<u>\$ 2,632,428</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances - governmental funds \$ 1,669,579

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

The cost of capital assets	6,796,403	
Accumulated depreciation	<u>(3,059,086)</u>	3,737,317

Deferred outflows:

Contributions made after the measurement date, will be recognized as a reduction of net pension liability	<u>65,860</u>	65,860
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Deferred inflows due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net pension liability:

Deferred inflows - change in assumption	(11,838)	
Deferred inflows - difference between projected and actual investment earnings on pension plan investments	<u>(239,372)</u>	(251,210)

Other long-term liabilities and certain other liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Accrued interest	(812)	
Net pension liability	(618,872)	
Long-term debt	(444,979)	
Compensated absences	<u>(1,394)</u>	<u>(1,066,057)</u>

Total net position - governmental activities **\$ 4,155,489**

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Inter- Government al Grants	Youth and Aged	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Gross receipts	\$ 2,490,483	\$ -	\$ 272,957	\$ 56,398	\$ 2,819,838
Franchise	45,683	-	-	-	45,683
Property	165,134	-	-	-	165,134
Gasoline and motor vehicle	38,826	-	-	71,581	110,407
Intergovernmental - state	90,000	324,813	24,259	208,724	647,796
Charges for services	86,569	-	32,011	28,745	147,325
Licenses, fees and permits	97,758	-	-	-	97,758
Federal operating grants	-	79,664	28,568	-	108,232
Other grants and contributions	16,771	359,466	-	6,565	382,802
Other	<u>82,406</u>	<u>-</u>	<u>61,815</u>	<u>18,677</u>	<u>162,898</u>
Total revenues	3,113,630	763,943	419,610	390,690	4,687,873
EXPENDITURES					
Current:					
General government	751,427	630,951	-	2,942	1,385,320
Public safety	930,747	-	-	165,553	1,096,300
Public works	85,249	-	-	162,375	247,624
Culture and recreation	-	-	413,784	-	413,784
Health and welfare	801,156	-	-	230,797	1,031,953
Capital outlay	117,976	-	-	112,456	230,432
Debt service:					
Principal	-	-	-	44,821	44,821
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,481</u>	<u>15,481</u>
Total expenditures	<u>2,686,555</u>	<u>630,951</u>	<u>413,784</u>	<u>734,425</u>	<u>4,465,715</u>
Excess (deficiency) of revenues over expenditures	427,075	132,992	5,826	(343,735)	222,158
OTHER FINANCING SOURCES (USES):					
Transfers in	-	37,582	-	37,045	74,627
Transfers out	<u>(60,604)</u>	<u>-</u>	<u>-</u>	<u>(14,023)</u>	<u>(74,627)</u>
Total other financing source (uses)	<u>(60,604)</u>	<u>37,582</u>	<u>-</u>	<u>23,022</u>	<u>-</u>
Net change in fund balance	366,471	170,574	5,826	(320,713)	222,158

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2015

Fund balance at beginning of year	<u>962,176</u>	<u>(55,862)</u>	<u>116,503</u>	<u>424,604</u>	<u>1,447,421</u>
Fund balance at end of year	<u>\$ 1,328,647</u>	<u>\$ 114,712</u>	<u>\$ 122,329</u>	<u>\$ 103,891</u>	<u>\$ 1,669,579</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ 222,158

The changes in net position reported for governmental activities in the statement of activities are different because:

Pension retirement expense, net 36,436

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital assets reported as capital outlay expenditures	230,432	
Depreciation expense	(74,869)	155,563

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 44,821

Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds. (3,176)

Change in accrued interest - expenses that do not require current financial resources are not reported as expenditures. 138

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid). 14,815

Change in net position of governmental activities **\$ 470,755**

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Gross receipts	\$ 1,379,040	\$ 1,917,836	\$ 2,490,483	\$ 572,647
Franchise	30,000	30,000	45,683	15,683
Oil and Gas	7,954	7,954	38,826	30,872
Motor Vehicle	13,000	18,000	-	(18,000)
Property	148,446	148,446	165,134	16,688
Intergovernmental	105,000	105,000	90,000	(15,000)
Charges for services	23,800	43,300	35,793	(7,507)
Licenses, fees and permits	1,580	1,650	97,758	96,108
Fines	28,000	45,000	-	(45,000)
Other grant and contributions	-	-	16,771	16,771
Other	53,200	54,919	82,406	27,487
Total revenues	1,790,020	2,372,105	3,062,854	690,749
EXPENDITURES:				
Current				
General government	496,413	535,036	751,427	(216,391)
Public safety	1,043,001	1,149,127	930,747	218,380
Public works	61,069	61,069	85,249	(24,180)
Health and welfare	428,150	459,750	437,817	21,933
Capital outlay	-	-	117,976	(117,976)
Total expenditures	2,028,633	2,204,982	2,323,216	(118,234)
Excess (deficiency) of revenues over expenditures	(238,613)	167,123	739,638	572,515
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(60,604)	(60,604)
Total other financing sources (uses)	-	-	(60,604)	(60,604)
Net changes in fund balance	(238,613)	167,123	679,034	511,911
Fund balance - beginning of the year	962,176	962,176	962,176	-
Fund balance - end of the year	<u>\$ 723,563</u>	<u>\$ 1,129,299</u>	<u>\$ 1,641,210</u>	<u>\$ 511,911</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 679,034	
Net revenue accruals			50,776	
Net expenditure accruals			<u>(363,339)</u>	
Net change in fund balance GAAP basis			<u>\$ 366,471</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
INTER-GOVERNMENTAL GRANTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State grants	\$ 946,191	\$ 1,014,573	\$ 271,377	\$ (743,196)
Total revenues	946,191	1,014,573	271,377	(743,196)
EXPENDITURES:				
Current				
General government	946,191	934,909	352,899	582,010
Total expenditures	946,191	934,909	352,899	582,010
Excess (deficiency) of revenues over expenditures	-	79,664	(81,522)	(161,186)
OTHER FINANCING SOURCES				
Transfers in	-	-	37,582	37,582
Total other financing sources	-	-	37,582	37,582
Net changes in fund balance	-	79,664	(43,940)	(123,604)
Fund balance - beginning of the year	(55,862)	(55,862)	(55,862)	-
Fund balance - end of the year	<u>\$ (55,862)</u>	<u>\$ 23,802</u>	<u>\$ (99,802)</u>	<u>\$ (123,604)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (43,940)	
Net revenue accruals			492,566	
Net expenditure accruals			<u>(278,052)</u>	
Net change in fund balance GAAP basis			<u>\$ 170,574</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
YOUTH AND AGED
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts	\$ -	\$ -	\$ 272,957	\$ 272,957
Charges for services	-	-	32,011	32,011
Other grants and contributions	173,960	181,525	61,815	(119,710)
Federal grants	25,500	29,029	28,568	(461)
State grants	<u>25,400</u>	<u>32,206</u>	<u>24,259</u>	<u>(7,947)</u>
Total revenues	224,860	242,760	419,610	176,850
EXPENDITURES:				
Current				
Culture and recreation	<u>311,600</u>	<u>321,935</u>	<u>304,693</u>	<u>17,242</u>
Total expenditures	<u>311,600</u>	<u>321,935</u>	<u>304,693</u>	<u>17,242</u>
Excess (deficiency) of revenues over expenditures	<u>(86,740)</u>	<u>(79,175)</u>	<u>114,917</u>	<u>194,092</u>
Net changes in fund balance	(86,740)	(79,175)	114,917	194,092
Fund balance - beginning of the year	<u>116,503</u>	<u>116,503</u>	<u>116,503</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 29,763</u>	<u>\$ 37,328</u>	<u>\$ 231,420</u>	<u>\$ 194,092</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 114,917	
Net expenditure accruals			<u>(109,091)</u>	
Net change in fund balance GAAP basis			<u>\$ 5,826</u>	

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUNDS

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 27,815	\$ 107,281	\$ 135,096
Accounts receivable	82,046	34,878	116,924
Total current assets	109,861	142,159	252,020
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	82,435	-	82,435
Capital assets, net	1,088,518	-	1,088,518
Total non-current assets	1,170,953	-	1,170,953
Total assets	1,280,814	142,159	1,422,973
Deferred outflows			
Deferred outflows - contributions made subsequent to measurement date	15,500	1,340	16,840
Total deferred outflows	15,500	1,340	16,840
Total assets and deferred outflows	\$ 1,296,314	\$ 143,499	\$ 1,439,813

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2015

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 95,698	\$ 30,406	\$ 126,104
Accrued interest	2,324	-	2,324
Accrued salaries	10,693	662	11,355
Meter deposits	82,435	-	82,435
Long-term debt - current portion	<u>49,873</u>	<u>-</u>	<u>49,873</u>
Total current liabilities	241,023	31,068	272,091
NON-CURRENT LIABILITIES:			
Compensated absences	152	-	152
Net pension liability	145,648	12,592	158,240
Capital leases - long-term portion	<u>423,508</u>	<u>-</u>	<u>423,508</u>
Total non-current liabilities	<u>569,308</u>	<u>12,592</u>	<u>581,900</u>
Total liabilities	810,331	43,660	853,991
Deferred inflows			
Deferred inflows - change in assumption	2,786	241	3,027
Deferred inflows - net difference between projected and actual investment earnings	<u>56,335</u>	<u>4,870</u>	<u>61,205</u>
Total deferred inflows	<u>59,121</u>	<u>5,111</u>	<u>64,232</u>
Total liabilities and deferred inflows	869,452	48,771	918,223
NET POSITION			
Net investment in capital assets	615,137	-	615,137
Restricted for:			
Unrestricted, undesignated	<u>(188,275)</u>	<u>94,728</u>	<u>(93,547)</u>
Total net position	<u>426,862</u>	<u>94,728</u>	<u>521,590</u>
Total liabilities and net position	<u>\$ 1,296,314</u>	<u>\$ 143,499</u>	<u>\$ 1,439,813</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Charges for services	\$ 819,148	\$ 386,059	\$ 1,205,207
Total operating revenues	819,148	386,059	1,205,207
OPERATING EXPENSES			
Salaries and wages	183,128	21,252	204,380
Employee benefits	266,578	-	266,578
Maintenance	250,656	8,590	259,246
Contracted and purchased services	10,144	345,310	355,454
Supplies	4,686	-	4,686
Utilities	158,674	-	158,674
Operating costs	111,357	-	111,357
Depreciation	80,772	-	80,772
Total operating expenses	<u>1,065,995</u>	<u>375,152</u>	<u>1,441,147</u>
Operating income (loss)	(246,847)	10,907	(235,940)
NON-OPERATING REVENUES (EXPENSES):			
Other miscellaneous	5,411	53,561	58,972
Gross receipts tax income	21,082	18,980	40,062
Gross receipts tax expense	(12,208)	(6,867)	(19,075)
Grants	537,248	-	537,248
Interest expense	(25,549)	-	(25,549)
Total non-operating revenues (expenses)	<u>525,984</u>	<u>65,674</u>	<u>591,658</u>
Change in net position	279,137	76,581	355,718
Net position, beginning of year, as previously reported	345,569	35,251	380,820
Restatement	<u>(197,844)</u>	<u>(17,104)</u>	<u>(214,948)</u>
Net position, beginning of year	<u>147,725</u>	<u>18,147</u>	<u>165,872</u>
Net position, end of year	<u>\$ 426,862</u>	<u>\$ 94,728</u>	<u>\$ 521,590</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from customers	\$ 500,123	\$ 348,297	\$ 848,420
Payments to employees for services	(258,864)	(3,885)	(262,749)
Payments to suppliers and contractors	<u>(621,182)</u>	<u>(397,643)</u>	<u>(1,018,825)</u>
Net cash provided by (used in) operating activities	(379,923)	(53,231)	(433,154)
Cash flows from non-capital activities and related financing activities:			
State shared taxes	8,874	12,113	20,987
Miscellaneous income	<u>5,411</u>	<u>53,561</u>	<u>58,972</u>
Net cash provided by (used in) non-capital activities and related financing activities:	14,285	65,674	79,959
Cash flows from capital activities and related financing activities:			
Grant proceeds	537,248	-	537,248
Interest expense	(30,967)	-	(30,967)
Change in capital assets	(537,248)	-	(537,248)
Principal payments on debt	<u>(45,178)</u>	<u>-</u>	<u>(45,178)</u>
Net cash used in capital activities and related financing activities:	<u>(76,145)</u>	<u>-</u>	<u>(76,145)</u>
Net increase (decrease) in cash and cash equivalents	(441,783)	12,443	(429,340)
Cash and cash equivalents - beginning	<u>552,033</u>	<u>94,838</u>	<u>646,871</u>
Cash and cash equivalents - ending	<u>\$ 110,250</u>	<u>\$ 107,281</u>	<u>\$ 217,531</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
SUPPLEMENTARY INFORMATION:			
Cash and cash equivalents	\$ 27,815	\$ 107,281	\$ 135,096
Restricted cash	<u>82,435</u>	<u>-</u>	<u>82,435</u>
Total cash and cash equivalents	<u>\$ 110,250</u>	<u>\$ 107,281</u>	<u>\$ 217,531</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (246,847)	\$ 10,907	\$ (235,940)
Adjustments to operating income to net cash used in operating activities:			
Depreciation	80,772	-	80,772
Restatement	(197,844)	(17,104)	(214,948)
Changes in net position and liabilities:			
Accounts receivables	(53,916)	(19,318)	(73,234)
Other assets	(15,500)	(1,340)	(16,840)
Accounts payable	(79,347)	(43,743)	(123,090)
Accrued expenses	1,573	(72)	1,501
Compensated absences	(6,318)	(264)	(6,582)
Customer deposits	(67,265)	-	(67,265)
Other liabilities	<u>204,769</u>	<u>17,703</u>	<u>222,472</u>
Net cash provided by (used in) operating activities	<u>\$ (379,923)</u>	<u>\$ (53,231)</u>	<u>\$ (433,154)</u>

See independent auditors' report and accompanying notes to financial statements.

FIDUCIARY FUNDS

STATE OF NEW MEXICO
CITY OF JAL
FIDUCIARY FUNDS LISTING
JUNE 30, 2015

AGENCY FUNDS:

These funds are used to account for monies held by the City in a custodial capacity.

Cemetery Trust

To account for the collection and distribution of funds

Municipal Court Funds - To account for the collection and disbursement of funds. Account was closed during 2015.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2015

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 5,152
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Total assets	<u>\$ 5,152</u>
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LIABILITIES

CURRENT LIABILITIES:

Due to other entities	\$ 5,152
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Total liabilities	<u>5,152</u>
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NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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.

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

A. Reporting Entity

The City Council (the "Council") is elected by the public and has the authority to make decisions, appoint the City Manager, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included in the reporting entity as defined by Statement No. 14.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Presentation

Government-Wide and Fund Financial Statements - The basic financial statements include both government-wide (based on the City as a whole) 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 and its component unit. 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 support.

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 activity. 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 activity and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.) The City does not allocate indirect costs.

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The general fund is the only major government fund.

The water and sewer fund, solid waste fund, airport fund and convention center fund are the major proprietary funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Presentation (Continued)

(by category), and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed or when the resources are received, whichever occurs first.

Governmental Fund Financial Statements - The governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. 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. For this purpose, the City considers revenues 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 made.

Ad valorem, franchise, and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting (Continued)

are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues.

In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

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

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting (Continued)

The City reports the following major governmental funds:

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

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

The Youth and Aged Special Revenue Fund accounts for the receipts and expenditures for services provided to 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)

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, municipal court fees, EMS donations, and payroll cash.

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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid investments, including restricted assets, with a maturity when purchased of three months or less to be cash equivalents.

Deposits and Investments - Investments in the City's cash are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. State statutes authorize the City to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer's investments pool. Cash is reported at book value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment. The City did not have investments in the year ended June 30, 2015.

Receivables and Payables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance. Long-term 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 from available financial resources. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year with levies becoming delinquent 30 days thereafter unless a timely protest has been made. Taxes are collected on behalf of the City by the Lea County Treasurer, and are distributed in the month of collection.

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

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

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Deferred Outflows - In the government-wide fund financial statements, deferred outflows are contributions to a pension plan after the measurement date, and the change in assumption pursuant to GASB 68 implementation for the Public Employees Retirement Association (PERA).

Interfund Activity - Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance 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 reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets - Capital assets include: property, plant, and equipment. The City does not appropriately account for infrastructure, including streets, sidewalks, bridges, drainage systems, lighting systems and similar items. The City is currently working on adding infrastructure to their capital asset list in efforts to fully implement GASB Statement No. 34. Such assets are reported in the applicable governmental or business-type activities columns the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000, and an estimated useful life in excess of two years. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the City not to capitalize computer software. Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend the asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets under construction.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Capital Assets (continued)

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

Assets	Years
Building and building 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, 2015, along with applicable PERA and Retiree Health Care.

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

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.

Deferred Inflows - Deferred inflows of resources is an acquisition of net position by the City that is applicable to a future reporting period. Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Deferred Inflows (Continued) -

within the balance sheet. Further, changes in assumption and net differences between projected and actual investment earnings related to pension plans are booked as deferred inflows pursuant to GASB 68 implementation.

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

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

Customer Deposits - Cash held in the proprietary funds for customer deposits is restricted.

Net Position - The government-wide financial statements utilize a net position presentation. Net position are categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - Restricted net position result from the constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net position of the City, not restricted for any project or other purpose. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Fund Balances - In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

The City's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Implementation of New Accounting Standards - In 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity*
(Continued)

Implementation of New Accounting Standards (Continued)

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Implementation of New Accounting Standards (Continued)

In 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data - The City Council adopts an annual budget for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds and the Enterprise Funds by following the budgetary procedures outlined below. The City is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The City compares the final amended budget to actual revenues and expenditures based on the City's modified accrual basis of accounting.

The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. The City prepares a proposed interim operating budget based upon input from public hearings conducted to obtain taxpayer comments and management assessment of City needs and resources available. The operating budget includes proposed expenditures and the means of financing them. A budget is proposed for the General, Special Revenue, Capital Projects, Debt Service and Proprietary Funds.
2. The interim operating budget for the fiscal year commencing July 1 is submitted to the Department of Finance and Administration-Local Government Division by June 1. The Department of Finance reviews the interim budget, makes any needed adjustments and grants interim approval by July 1.
3. The final operating budget for the fiscal year is submitted to the Department of Finance on or before July 31. The Department of Finance reviews the budget and grants approval by September 1.
4. The interim and final budgets are legally enacted through passage of resolutions and the council is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration-Local Government Division.
5. Budgets for funds are adopted on the modified accrual basis of accounting. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.
6. Appropriations lapse at year end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.
7. The level of classification detail in which expenditures may not legally exceed appropriations for each budget is in fund total.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS 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 deposit and investment requirements as of June 30, 2015.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institution. 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.

In accordance with FDIC, public unit deposits are funds owned by the City. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the unlimited coverage for public unit demand deposits at the same institution.

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

The rate of interest in non-demand interest-bearing accounts is set by the State Board of Finance, but the rate of interest will not be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The City does not have a formal deposit policy for custodial credit risk other than following state statutes. The City has not suffered any previous losses and management believes any risk of loss of funds is minimal. At June 30, 2015, \$2,569,990 of the City's bank balances of \$2,897,975 was exposed to custodial credit risk. \$2,569,990 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 pg 91 - 93 of this report.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least 50% of the amount on deposit with the institution, and 103% for amounts invested in repurchase agreements with the institution.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

The schedules listed on pg 91 - 93 disclose requirements on reporting the insured and uninsured portions of the City's deposits regarding custodial credit risk.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

4. ACCOUNTS RECEIVABLE

Taxes receivable are considered fully collectible and consist of the following:

Taxes Receivables	
Gross receipts taxes	\$ 571,493
Franchise	5,160
Property taxes	6,176
Gas	7,223
MVD	<u>778</u>
	<u>\$ 590,830</u>

Grant receivables are considered to be fully collectible. Other governmental accounts receivable are as follows:

	Accounts Receivable	Allowance for Uncollectibles	Total
Municipal Courts	\$ 130,908	\$ (111,590)	\$ 19,318
Ambulance	45,945	(14,487)	31,458
Grants	<u>492,566</u>	<u>-</u>	<u>492,566</u>
	<u>\$ 669,419</u>	<u>\$ (126,077)</u>	<u>\$ 543,342</u>

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year deferred inflows which related to delinquent property taxes was \$0.

Accounts receivable reported in the business-type activities at June 30, 2015 represent net balances due from customers of water and sewer and solid waste services provided by the City. The following is the detail of the business-type receivables at June 30, 2015:

	Accounts Receivable	Allowance for Uncollectibles	Total
Water and sewer	\$ 112,970	\$ (30,924)	\$ 82,046
Solid waste	<u>48,024</u>	<u>(13,146)</u>	<u>34,878</u>
	<u>\$ 160,994</u>	<u>\$ (44,070)</u>	<u>\$ 116,924</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
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5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers reflect a transfer of cash due to needs within the fund. The composition of interfund transfers during the year ended June 30, 2015 is as follows:

TRANSFERS:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 60,604
State Fire	-	14,023
Streets	37,045	-
Intergovernmental grants	<u>37,582</u>	<u>-</u>
Total	<u>\$ 74,627</u>	<u>\$ 74,627</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2015, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

	Balance June 30, 2014 as previously stated	Adjustments	Balance June 30, 2014 as restated	Additions	Retirements and Transfers	Balance June 30, 2015
<i>Governmental activities:</i>						
Capital assets not being depreciated:						
Land	\$ 53,151	\$ -	\$ 53,151	\$ -	\$ -	\$ 53,151
CIP	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>42,461</u>	<u>-</u>	<u>142,461</u>
Total	53,151	100,000	153,151	42,461	-	195,612
Other capital assets being depreciated:						
Buildings and Improvements	4,089,914	-	4,089,914	-	-	4,089,914
Equipment	2,153,700	-	2,153,700	187,971	-	2,341,671
Infrastructure	<u>169,206</u>	<u>-</u>	<u>169,206</u>	<u>-</u>	<u>-</u>	<u>169,206</u>
Total	<u>6,412,820</u>	<u>-</u>	<u>6,412,820</u>	<u>187,971</u>	<u>-</u>	<u>6,600,791</u>
Total capital assets	6,465,971	100,000	6,565,971	230,432	-	6,796,403
Less accumulated depreciation for:						
Buildings and Improvements	1,237,150	-	1,237,150	15,807	-	1,252,957
Equipment	1,685,031	-	1,685,031	51,849	-	1,736,880
Infrastructure	<u>62,036</u>	<u>-</u>	<u>62,036</u>	<u>7,213</u>	<u>-</u>	<u>69,249</u>
Total accumulated depreciation	<u>2,984,217</u>	<u>-</u>	<u>2,984,217</u>	<u>74,869</u>	<u>-</u>	<u>3,059,086</u>
Governmental capital assets, net	<u>\$ 3,481,754</u>	<u>\$ 100,000</u>	<u>\$ 3,581,754</u>	<u>\$ 155,563</u>	<u>\$ -</u>	<u>\$ 3,737,317</u>

Depreciation expense for the year ended June 30, 2015 was charged to governmental activities as follows:

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

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

6. CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2014	Additions	Retirements and Transfers	Balance June 30, 2015
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 15,768	\$ -	\$ -	\$ 15,768
Construction in progress	-	537,248	-	537,248
Total	15,768	537,248	-	553,016
Capital assets being depreciated:				
Buildings and Improvements	399,478	-	-	399,478
Equipment	153,871	-	-	153,871
Infrastructure	13,171,401	-	-	13,171,401
Total	13,724,750	-	-	13,724,750
Total capital assets	13,740,518	537,248	-	14,277,766
Less accumulated depreciation:				
Buildings and Improvements	343,547	4,453	-	348,000
Equipment	125,356	10,647	-	136,003
Infrastructure	12,639,573	65,672	-	12,705,245
Total accumulated depreciation	13,108,476	80,772	-	13,189,248
Business-type capital assets, net	\$ 632,042	\$ 456,476	\$ -	\$ 1,088,518

Depreciation expense charged to business-type activities for the year ended June 30, 2015 was \$80,772.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

7. LONG-TERM DEBT

A summary of changes in long-term debt, including capital lease obligations for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014, as previously stated	Additions	Reductions	Balance June 30, 2015
Governmental Activities:				
NMFA Loans	\$ 489,800	\$ -	\$ 44,821	\$ 444,979
Compensated Absences	<u>16,209</u>	<u>921</u>	<u>15,736</u>	<u>1,394</u>
Total Governmental Debt	<u>\$ 506,009</u>	<u>\$ 921</u>	<u>\$ 60,557</u>	<u>\$ 446,373</u>

	Balance June 30, 2014, as previously stated	Additions	Reductions	Balance June 30, 2015
Business-Type Activities:				
Capital Leases	\$ 518,559	\$ -	\$ 45,178	\$ 473,381
Compensated Absences	<u>6,734</u>	<u>790</u>	<u>7,372</u>	<u>152</u>
Total Business-Type Debt	<u>\$ 525,293</u>	<u>\$ 790</u>	<u>\$ 52,550</u>	<u>\$ 473,533</u>

Scheduled principal and interest payments on the City's long-term debt are as follows:

Year Ended June 30,	Governmental			Business-Type		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 56,400	\$ 9,152	\$ 65,552	\$ 49,873	\$ 28,347	\$ 78,220
2017	57,716	7,836	65,552	55,738	25,291	81,029
2018	59,064	6,488	65,552	61,142	21,963	83,105
2019	60,444	5,108	65,552	66,941	18,311	85,252
2020	61,858	3,694	65,552	73,058	14,353	87,411
2021-2025	<u>149,497</u>	<u>6,026</u>	<u>155,523</u>	<u>166,629</u>	<u>15,152</u>	<u>181,781</u>
Total	<u>\$ 444,979</u>	<u>\$ 38,304</u>	<u>\$ 483,283</u>	<u>\$ 473,381</u>	<u>\$ 123,417</u>	<u>\$ 596,798</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

7. LONG-TERM DEBT (CONTINUED)

Below are the terms, amounts due within one year, and maturity dates of the City's outstanding long-term debt:

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Purpose
Governmental Activities:						
NMFA - #1	2.81%	Monthly	\$2,222	June 2020	\$ 23,479	Fire Truck
NMFA - #2	1.73%	Monthly	\$3,240	June 2024	<u>32,921</u>	Fire Truck
					<u>\$ 56,400</u>	

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Purpose
Business-Type Activities:						
Capital Lease	5.89 %	Monthly	\$6,518	April 2022	<u>\$ 49,873</u>	Water Meters
					<u>\$ 49,873</u>	

Compensated Absences

The City pays any accumulated accrued vacation leave in a lump cash payment to employees upon retirement or to the employee's estate in the event of death. Compensation for sick leave is limited to time-off and is not monetarily compensated. The liability also includes the City's portion of employment taxes related to the hours and time accrued by the employee.

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AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

8. REVENUE BONDS

The City has the capacity and has issued both Sales Tax and Revenue Bonds whereby the City has pledged income derived from the Gross Receipts Tax and billings on water to pay the required debt service on the bonds. There are no new bonds were issued in the current year.

9. RISK MANAGEMENT

The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The City participates in the New Mexico Self-Insurer's Fund risk pool. The New Mexico Self-Insurer's Fund risk pool operates as a common risk management and insurance program for workers compensation and property and casualty coverage.

These funds are funded entirely by member contributions and are administered by the New Mexico Self-insurer's Fund. The pools are authorized by joint powers agreements entered into by each participating entity as a separate and independent government and legal entity pursuant to the provisions of Section 11-1-1 et. Seq. NMSA 1978.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage in any preceding years. However, should a claim be filed against the Authority 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.

At June 30, 2015 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. No major lawsuits have been filed against the City.

10. PERA PENSION PLAN

The City adopted GASB 68 during the year ended June 30, 2015. GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. PERA engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2014. As part of adopting GASB 68 during the current year, the City recognized a Net Pension Liability (NPL), which represents the City's share of the underfunded pension obligation at June 30, 2015.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

10. PERA PENSION PLAN (CONTINUED)

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at:
http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and the City of Jal are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to the City are Municipal General Division and Municipal Police Division. Statutorily required contributions to the pension plan from the City were \$82,700 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation

STATE OF NEW MEXICO
CITY OF JAL
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10. PERA PENSION PLAN (CONTINUED)

performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City of Jals' proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts.

In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA at June 30, 2015, the City reported the following liability:

Municipal General Division	\$	599,122
Municipal Police Division		<u>177,990</u>
Total Net Pension Liability	\$	<u>777,112</u>

The amounts are the proportionate share of the net pension liability. At June 30, 2014, the City's proportion noted below was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

10. PERA PENSION PLAN (CONTINUED)

For the year ended June 30, 2015, the City recognized the following pension expense:

Municipal General Division	\$	24,995
Municipal Police Division		<u>11,953</u>
Total pension expense	\$	<u>36,948</u>

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows or resources related to pensions for Municipal General Division from the following sources:

	Deferred Outflows of Resources	Deferred inflows of resources
Changes in assumptions	\$ -	\$ 406
Net difference between projected and actual earnings on pension plan investments	-	234,392
City of Jal contributions subsequent to the measurement date	45,035	-
Total	\$ 45,035	\$ 234,798

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows or resources related to pensions for Municipal Police Division from the following sources:

	Deferred Outflows of Resources	Deferred inflows of resources
Changes in assumptions	\$ -	\$ 14,459
Net difference between projected and actual earnings on pension plan investments	-	66,185
City of Jal contributions subsequent to the measurement date	37,665	-
Total	\$ 37,665	\$ 80,644

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

10. PERA PENSION PLAN (CONTINUED)

	<u>Liability Proportion</u>
Municipal General Division	0.0768%
Municipal Police Division	0.0546%

In June 30, 2016 \$82,700, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:		Municipal General Division		Municipal Police Division
	2016	\$ 58,699	\$	20,143
	2017	\$ 58,699	\$	20,143
	2018	\$ 58,699	\$	20,143
	2019	\$ 58,699	\$	20,143
	2020	\$ 2	\$	72

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.75% annual rate, net of investment expense
-Payroll growth	3.50% annual rate
-Projected salary increases	3.50% to 14.25% annual rate
-Includes inflation at	3.00% annual rate

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
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10. PERA PENSION PLAN (CONTINUED)

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1 %	5.00 %
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	100.0 %	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75 percent assumed long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

10. PERA PENSION PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City of Jal, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current 7.75%	1% Increase 8.75%
Municipal General Division	\$ 1,129,480	\$ 599,122	\$ 189,395
Municipal Police Division	339,427	177,990	57,447
TOTAL	\$ 1,468,907	\$ 777,112	\$ 246,842

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124. The City of Jal had payables of \$0 at June 30, 2015.

11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description - The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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 post-employment 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.

(1) 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. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]). During the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.50% for fire and police departments and 2.00% for general departments of each participating employee's annual salary; each participating employee was required to contribute 1.25% of their salary. In the fiscal years ending June 30, 2015 the contribution rates for employees and employers will rise as follows:

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CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2015	2.00%	1.00%

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 contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$16,781, \$16,731, and \$16,977, respectively, which equal the required contributions for each year.

12. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

The City has several capital projects in progress at various states of completion. The majority of these capital projects are being funded by reimbursement type grants, which require the City to incur the expenditure then submit a request for reimbursement to the grantor. These requests must be made before the respective grants expire.

The City is involved in various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self-Insurer's Fund. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the City.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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 Ending	11/18/1997 Automatic renewal every two years
Amount of project		\$ estimated
City contributions		4.20%
Audit responsibility		Water User Board

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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 Ending	12/12/1994 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

STATE OF NEW MEXICO
 CITY OF JAL
 NOTES TO BASIC FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

13. Joint Powers Agreements and Memorandums of Understanding (continued)

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 Ending	04/01/2008 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 BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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 Ending	07/01/2015 06/30/2016
Amount of project		\$72,000
City contributions		N/A
Audit responsibility		City of Jal

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

13. Joint Powers Agreements and Memorandums of Understanding (continued)

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 Ending	07/01/2015 06/30/2016
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 BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

13. Joint Powers Agreements and Memorandums of Understanding (continued)

Lea County

Participants		City of Jal Lea County
Responsible party		City of Jal
Description		To assist the City with fire protection, ambulance, library, and senior citizen services.
Term of agreement	Beginning	07/01/2015
	Ending	06/30/2016
Amount of project		\$90,000
City contributions		N/A
Audit responsibility		City of Jal

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

13. Joint Powers Agreements and Memorandums of Understanding (continued)

Vikki Bell

Participants		City of Jal New Mexico Economic Development Department
Responsible party		City of Jal
Description		To promote economic development within and outside the municipal city limits.
Term of agreement	Beginning Ending	07/01/2015 06/30/2016
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 BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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, 2015:

Streets Special Revenue Fund	\$ <u>32,549</u>
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B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2015:

General Fund	\$ 118,234
Corrections Special Revenue	138
Environmental Special Revenue Fund	110,797
Street Special Revenue Fund	77,898
Solid Waste Fund	<u>83,472</u>
	<u>\$ 390,539</u>

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 5, 2016 the date the financial statements were available to be issued.

16. RESTATEMENT

A prior period adjustment of \$740,658 was recorded for governmental activities, and a prior period adjustment of \$214,948 was recorded for business-type activities during the fiscal year ended June 30, 2015, for a total restatement of \$955,606. The restatement was made to correct an error in capital assets. The capital asset payable was booked in the prior year, but the asset was expensed, not capitalized in the government-wide financial statements. Further, a restatement was made to book the calculated net pension liability and deferred outflows and inflows per implementation of GASB 68, as follows:

	Governmental Activities	Business-Type Activities
Capital assets	100,000	-
Pension expense	29,424	7,524
Deferred inflows	(251,210)	(64,232)
Net pension liability	<u>(618,872)</u>	<u>(158,240)</u>
 Total prior period adjustment	 <u>(740,658)</u>	 <u>(214,948)</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

17. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The City does have some projects in progress. The projects are all budgeted for, and considered to be fully funded.

18. CONCENTRATIONS

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

19. NET POSITION

The government-wide statement of net position reports \$258,769 of restricted net position, all of which is restricted by enabling legislation.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

	2015
The City of Jal's proportion of the net pension liability	\$ 599,122
The City of Jal's proportionate share of the net pension liability	0.0768%
The City of Jal's covered-employee payroll	\$ 399,818
The City of Jal's proportionate share of the net pension liability as a percentage of its covered-employee payroll	149.85 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Jal will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF CITY OF JAL'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

	2015
Contractually required contribution	\$ 45,035
Contributions in relation to the contractually required contribution	45,035
Contribution deficiency (excess)	-
The City of Jal's covered-employee payroll	\$ 399,818
Contributions as a percentage of covered-employee payroll	11.00 %

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Jal will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL POLICE DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

		<u>2015</u>
The City of Jal's proportion of the net pension liability	\$	177,990
The City of Jal's proportionate share of the net pension liability		0.0546 %
The City of Jal's covered-employee payroll	\$	436,140
The City of Jal's proportionate share of the net pension liability as a percentage of its covered-employee payroll		40.81 %
Plan fiduciary net position as a percentage of the total pension liability		81.29 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Jal will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF CITY OF JAL'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL POLICE DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 37,665
Contributions in relation to the contractually required contribution	<u>37,665</u>
Contribution deficiency (excess)	-
The City of Jal's covered-employee payroll	<u>\$ 436,140</u>
Contributions as a percentage of covered-employee payroll	<u>9.00 %</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Jal will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms: The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes in assumptions: *The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report states "based on a recent experience study for the five-year period ending June 20, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.*

SUPPLEMENTARY INFORMATION

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.

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)

State Fire

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.

Environmental

The Environmental Special Revenue Fund accounts 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. Fund authority is City Council.

STATE OF NEW MEXICO
CITY OF JAL
COMBINING BALANCE SHEET
SPECIAL REVENUE
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	EMS	Street	Cemetery	Corrections	Law Enforcement	State Fire	Environmental	Total Nonmajor Funds
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ 16,936	\$ 52,996	\$ -	\$ 69,539	\$ 58,503	\$ 197,974
Taxes receivables	-	7,223	-	-	-	-	11,259	18,482
Total assets	<u>\$ -</u>	<u>\$ 7,223</u>	<u>\$ 16,936</u>	<u>\$ 52,996</u>	<u>\$ -</u>	<u>\$ 69,539</u>	<u>\$ 69,762</u>	<u>\$ 216,456</u>
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	<u>\$ -</u>	<u>\$ 39,772</u>	<u>\$ 30</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ 6,729</u>	<u>\$ 65,517</u>	<u>\$ 112,565</u>
Total liabilities	-	39,772	30	517	-	6,729	65,517	112,565
Fund balances:								
Restricted, reported in:								
Special revenue funds	-	-	16,906	52,479	-	62,810	4,245	136,440
Unassigned, reported in:								
Special revenue funds	<u>-</u>	<u>(32,549)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,549)</u>
Total fund balances	<u>-</u>	<u>(32,549)</u>	<u>16,906</u>	<u>52,479</u>	<u>-</u>	<u>62,810</u>	<u>4,245</u>	<u>103,891</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 7,223</u>	<u>\$ 16,936</u>	<u>\$ 52,996</u>	<u>\$ -</u>	<u>\$ 69,539</u>	<u>\$ 69,762</u>	<u>\$ 216,456</u>

STATE OF NEW MEXICO
CITY OF JAL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	EMS	Street	Cemetery	Corrections	Law Enforcement	State Fire	Environmental	Total Nonmajor Funds
Revenues:								
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,398	\$ 56,398
Gasoline tax	-	71,581	-	-	-	-	-	71,581
Intergovernmental - state	-	-	-	-	22,400	186,324	-	208,724
Charges for services	-	-	13,575	15,170	-	-	-	28,745
Other grants and contributions	6,565	-	-	-	-	-	-	6,565
Other	-	-	-	-	-	18,677	-	18,677
Total revenues	6,565	71,581	13,575	15,170	22,400	205,001	56,398	390,690
Expenditures:								
General government	-	-	2,942	-	-	-	-	2,942
Public safety	6,565	-	-	6,138	22,400	130,450	-	165,553
Public works	-	162,375	-	-	-	-	-	162,375
Health and welfare	-	-	-	-	-	-	230,797	230,797
Capital outlay	-	69,995	-	-	-	42,461	-	112,456
Debt service								
Principal	-	-	-	-	-	44,821	-	44,821
Interest	-	-	-	-	-	15,481	-	15,481
Total expenditures	6,565	232,370	2,942	6,138	22,400	233,213	230,797	734,425
Excess (deficit) of revenues over expenditures	-	(160,789)	10,633	9,032	-	(28,212)	(174,399)	(343,735)
Other financing sources:								
Transfer in	-	37,045	-	-	-	-	-	37,045
Transfers out	-	-	-	-	-	(14,023)	-	(14,023)
Total other financing sources	-	37,045	-	-	-	(14,023)	-	23,022
Net change in fund balances	-	(123,744)	10,633	9,032	-	(42,235)	(174,399)	(320,713)
Fund balance - beginning of year	-	91,195	6,273	43,447	-	105,045	178,644	424,604
Fund balance - end of year	\$ -	\$ (32,549)	\$ 16,906	\$ 52,479	\$ -	\$ 62,810	\$ 4,245	\$ 103,891

STATE OF NEW MEXICO
CITY OF JAL
EMS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State grants	<u>6,127</u>	<u>6,565</u>	<u>6,565</u>	<u>-</u>
Total revenues	<u>6,127</u>	<u>6,565</u>	<u>6,565</u>	<u>-</u>
EXPENDITURES:				
Current				
Public safety	<u>\$ 6,127</u>	<u>\$ 6,565</u>	<u>\$ 6,565</u>	<u>\$ -</u>
Total expenditures	<u>6,127</u>	<u>6,565</u>	<u>6,565</u>	<u>-</u>
Fund balance - beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ -</u>	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ -</u>	

STATE OF NEW MEXICO
CITY OF JAL
STREETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Gasoline taxes	\$ 50,000	\$ 60,000	\$ 71,581	\$ 11,581
Total revenues	50,000	60,000	71,581	11,581
EXPENDITURES:				
Current				
General government	125,000	154,472	162,375	(7,903)
Capital outlay	-	-	69,995	(69,995)
Total expenditures	125,000	154,472	232,370	(77,898)
Excess (deficiency) of revenues over expenditures	(75,000)	(94,472)	(160,789)	(66,317)
Transfers in	-	-	37,045	37,045
Total other financing sources (uses)	-	-	37,045	37,045
Net changes in fund balance	(75,000)	(94,472)	(123,744)	(29,272)
Fund balance - beginning of the year	91,195	91,195	91,195	-
Fund balance - end of the year	<u>\$ 16,195</u>	<u>\$ (3,277)</u>	<u>\$ (32,549)</u>	<u>\$ (29,272)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (123,744)</u>	
Net change in fund balance GAAP basis			<u>\$ (123,744)</u>	

STATE OF NEW MEXICO
CITY OF JAL
CEMETERY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 5,000	\$ 8,000	\$ 13,575	\$ 5,575
Total revenues	5,000	8,000	13,575	5,575
EXPENDITURES:				
Current				
General government	5,000	8,000	2,942	5,058
Total expenditures	5,000	8,000	2,942	5,058
Excess (deficiency) of revenues over expenditures	-	-	10,633	10,633
Net changes in fund balance	-	-	10,633	10,633
Fund balance - beginning of year	6,273	6,273	6,273	-
Fund balance - end of the year	<u>\$ 6,273</u>	<u>\$ 6,273</u>	<u>\$ 16,906</u>	<u>\$ 10,633</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 10,633</u>	
Net change in fund balance GAAP basis			<u>\$ 10,633</u>	

STATE OF NEW MEXICO
CITY OF JAL
CORRECTIONS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Correction Fees	\$ 6,000	\$ 9,000	\$ 15,170	\$ 6,170
Total revenues	6,000	9,000	15,170	6,170
EXPENDITURES:				
Current				
Public safety	6,000	6,000	6,138	(138)
Total expenditures	6,000	6,000	6,138	(138)
Excess (deficiency) of revenues over expenditures	-	3,000	9,032	6,032
Net changes in fund balance	-	3,000	9,032	6,032
Fund balance - beginning of the year	43,447	43,447	43,447	-
Fund balance - end of the year	\$ 43,447	\$ 46,447	\$ 52,479	\$ 6,032
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 9,032	
Net change in fund balance GAAP basis			\$ 9,032	

STATE OF NEW MEXICO
CITY OF JAL
LAW ENFORCEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ 22,400	\$ 22,400	\$ 22,400	\$ -
Total revenues	22,400	22,400	22,400	-
EXPENDITURES:				
Current				
General government	22,400	22,400	22,400	-
Total expenditures	22,400	22,400	22,400	-
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ -	

STATE OF NEW MEXICO
CITY OF JAL
STATE FIRE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State grants	\$ 120,000	\$ 147,964	\$ 186,324	\$ 38,360
Miscellaneous revenue	<u>10,000</u>	<u>38,377</u>	<u>18,677</u>	<u>(19,700)</u>
Total revenues	130,000	186,341	205,001	18,660
EXPENDITURES:				
Current				
Public safety	160,850	276,498	130,450	146,048
Capital outlay	42,461	42,461	42,461	-
Principal	44,821	44,821	44,821	-
Interest	<u>15,481</u>	<u>15,481</u>	<u>15,481</u>	<u>-</u>
Total expenditures	<u>263,613</u>	<u>379,261</u>	<u>233,213</u>	<u>146,048</u>
Excess (deficiency) of revenues over expenditures	(133,613)	(192,920)	(28,212)	164,708
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>(14,023)</u>	<u>(14,023)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(14,023)</u>	<u>(14,023)</u>
Net changes in fund balance	(133,613)	(192,920)	(42,235)	150,685
Fund balance - beginning of the year	<u>105,045</u>	<u>105,045</u>	<u>105,045</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (28,568)</u>	<u>\$ (87,875)</u>	<u>\$ 62,810</u>	<u>\$ 150,685</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (42,235)</u>	
Net change in fund balance GAAP basis			<u>\$ (42,235)</u>	

STATE OF NEW MEXICO
CITY OF JAL
ENVIRONMENTAL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts tax	\$ 31,200	\$ 43,390	\$ 56,398	\$ 13,008
Total revenues	31,200	43,390	56,398	13,008
EXPENDITURES:				
Health and welfare	100,000	120,000	230,797	(110,797)
Total expenditures	100,000	120,000	230,797	(110,797)
Excess (deficiency) of revenues over expenditures	(68,800)	(76,610)	(174,399)	(97,789)
Net changes in fund balance	(68,800)	(76,610)	(174,399)	(97,789)
Fund balance - beginning of the year	178,644	178,644	178,644	-
Fund balance - end of the year	\$ 109,844	\$ 102,034	\$ 4,245	\$ (97,789)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (174,399)	
Net change in fund balance GAAP basis			\$ (174,399)	

PROPRIETARY FUNDS

STATE OF NEW MEXICO
CITY OF JAL
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 1,413,200	\$ 763,200	\$ 819,148	\$ 55,948
Total revenues	1,413,200	763,200	819,148	55,948
OPERATING EXPENSES:				
Personnel services	456,176	456,176	449,706	6,470
Contracted and purchased services	2,057,268	1,295,597	10,144	1,285,453
Supplies and purchased power	4,686	4,686	4,686	-
Maintenance	250,656	250,656	250,656	-
Utilities	158,674	158,674	158,674	-
Operating costs	111,357	111,357	111,357	-
Total operating expenses	3,038,817	2,277,146	985,223	1,291,923
Operating income (loss)	(1,625,617)	(1,513,946)	(166,075)	1,347,871
NON-OPERATING REVENUE (EXPENSES):				
Miscellaneous income	1,000	2,000	5,411	3,411
Gross receipts income	46,500	36,500	21,082	(15,418)
Grants	1,213,000	1,221,072	537,248	(683,824)
Gross receipt expense	(12,208)	(12,208)	(12,208)	-
Interest expense	(25,549)	(25,549)	(25,549)	-
Total non-operating revenues (expenses)	1,222,743	1,221,815	525,984	(695,831)
Total net income (loss)	(402,874)	(292,131)	359,909	652,040

STATE OF NEW MEXICO
CITY OF JAL
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Fund balance - beginning of the year, as previously stated	345,569	345,569	345,569	-
Implementation of GASB 68	<u>-</u>	<u>-</u>	<u>(197,844)</u>	<u>(197,844)</u>
Fund balance - beginning of year, as restated	<u>345,569</u>	<u>345,569</u>	<u>147,725</u>	<u>(197,844)</u>
Fund balance - end of the year	<u>\$ (57,305)</u>	<u>\$ 53,438</u>	<u>\$ 507,634</u>	<u>\$ 454,196</u>
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 359,909	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			<u>(80,772)</u>	
Net income after transfers-financial statement basis			<u>\$ 279,137</u>	

STATE OF NEW MEXICO
CITY OF JAL
SOLID WASTE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 260,000	\$ 260,000	\$ 386,059	\$ 126,059
Total revenues	260,000	260,000	386,059	126,059
OPERATING EXPENSES:				
Personnel services	21,516	21,516	21,252	264
Contracted and purchased services	279,368	261,574	345,310	(83,736)
Maintenance	8,590	8,590	8,590	-
Total operating expenses	309,474	291,680	375,152	(83,472)
Operating income (loss)	(49,474)	(31,680)	10,907	42,587
NON-OPERATING REVENUE (EXPENSES):				
Miscellaneous income	35,000	35,000	53,561	18,561
Environmental gross receipts tax	13,000	13,000	18,980	5,980
Gross receipts expense	(6,867)	(6,867)	(6,867)	-
Total non-operating revenues (expenses)	41,133	41,133	65,674	24,541
Total net income (loss)	(8,341)	9,453	76,581	67,128
Fund balance - beginning of the year, as previously stated	35,251	35,251	35,251	-
Implementation of GASB 68	-	-	(17,104)	(17,104)
Fund balance - beginning of the year, as restated	35,251	35,251	18,147	(17,104)
Fund balance - end of the year	\$ 26,910	\$ 44,704	\$ 94,728	\$ 50,024
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 76,581	
Net income after transfers-financial statement basis			\$ 76,581	

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2015
Prepared by: Gretchen Garcia, Deputy City Clerk/Treasurer Date: January 31, 2016

RFB#/RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the Procurement Documentation of ALL Vendor(s) that Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N) For Federal Funds Answer N/A	Brief Description of the Scope of Work
113111	RFP	Smithco Construction	\$ 514,590	N/A	Smithco Construction, 1010 King Canyon Loop Caballo, NM 87931	Y	N	Waste water holding ponds upgrades
2015-01	RFP	Souder Miller & Associates	\$ 11,327,000	N/A	Morrow Enterprises, Inc., PO Box 1747, Las Cruces, NM 88004 Souder, Miller & Associates, 3409 N. Grimes St., Hobbs, NM 88240 Pettigrew & Associates, 100 E. Navajo Dr., Suite 100, Hobbs, NM 88240 Vencor Engineering, LLC, 665 E. University Ave, Suite C, Las Cruces, NM 88005 Smith Engineering Company, 2201 San Pedro NE, Building 4, Suite 200, Albuquerque, NM 87110	Y	N	Replace existing water lines throughout the city
.08-07-15	RFP	Carreon Construction	\$ 300,000	N/A	Carreon Construction, 1009 17th St. NW, Rio Rancho, NM 87144 Ramirez & Sons, Inc., 3404 N. Enterprise Dr., Hobbs, NM 88240 Abraham's Construction, Inc., 7605 Morrow Rd. NE, Albuquerque, NM 87110 Century Club Construction, LLC., 8201 Golf Course Rd NW, Suite D3-295, Albuquerque, NM 87120	N	N	Rehab Main Street sidewalks to ADA standards

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2015

	<u>Account Type</u>	<u>Amount Per Bank</u>	<u>Net Reconciling Items</u>	<u>Balance Per Books</u>
Wells Fargo				
Operating	Checking	\$ 2,468,348	\$ (925,646)	\$ 1,542,702
USDA	Checking	<u>351,642</u>	<u>(351,642)</u>	<u>-</u>
Total Checking		2,819,990	(1,277,288)	1,542,702
Certificate Deposits	CD	<u>77,985</u>	<u>-</u>	<u>77,985</u>
Total interest bearing		<u>77,985</u>	<u>-</u>	<u>77,985</u>
Total Wells Fargo deposits		2,897,975	<u>\$ (1,277,288)</u>	<u>\$ 1,620,687</u>
Less FDIC Coverage		<u>(327,985)</u>		
Total uninsured public funds		<u>2,569,990</u>		
50% collateral requirements		1,284,995		
Pledge securities		<u>(3,041,334)</u>		
Over/(under) collateralized		<u>\$ 1,756,339</u>		

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2015

Reconciliation of Public Funds to Government-Wide Balance Sheet:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents - Unrestricted	\$ 1,320,469	\$ 135,096	\$ 1,455,565
Cash and cash equivalents - Restricted	<u>77,985</u>	<u>82,435</u>	<u>160,420</u>
	<u>\$ 1,398,454</u>	<u>\$ 217,531</u>	<u>\$ 1,615,985</u>
Cash Source:			
Wells Fargo Bank - City of Jal			\$ 1,615,535
Wells Fargo Bank - Agency			<u>5,152</u>
Total Wells Fargo deposits			1,620,687
Petty Cash			<u>450</u>
TOTAL CASH			<u>\$ 1,621,137</u>

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2015

Description of Pledged Collateral	Amount	Name and Location
Wells Fargo Bank		
FMAC 2.482%, CUSIP#3128UHH73, Maturing 11/01/41	\$ 4,891	Bank of New York Mellon, New York City
FNMA 3.500%, CUSIP#3138A2NS4, Maturing 01/01/26	226,708	Bank of New York Mellon, New York City
FNMA 3.000%, CUSIP#3138AYLZ0, Maturing 12/01/26	69,161	Bank of New York Mellon, New York City
FNMA 3.500%, CUSIP#3138EEZG7, Maturing 04/01/42	12,677	Bank of New York Mellon, New York City
FNMA 3.500%, CUSIP#3138LS6W5, Maturing 08/01/42	73,105	Bank of New York Mellon, New York City
FNMA 3.000%, CUSIP#3138MJUN7, Maturing 02/01/43	18,999	Bank of New York Mellon, New York City
FNMA 3.000%, CUSIP#3138MMET5, Maturing 12/01/42	60,734	Bank of New York Mellon, New York City
FNMA 3.500%, CUSIP#3138NX7K7, Maturing 02/01/43	618,066	Bank of New York Mellon, New York City
FNMA 3.000%, CUSIP#3138NYWU5, Maturing 12/01/42	222,932	Bank of New York Mellon, New York City
FNMA 3.000%, CUSIP#3138W4Z61, Maturing 03/01/43	5,421	Bank of New York Mellon, New York City
FNMA 3.500%, CUSIP#3138W9BD1, Maturing 07/01/43	270,403	Bank of New York Mellon, New York City
FNMA 3.000%, CUSIP#3138WPGZ1, Maturing 04/01/43	14,876	Bank of New York Mellon, New York City
FNMA 3.000%, CUSIP#3138WTXU5, Maturing 06/01/33	236,640	Bank of New York Mellon, New York City
FNMA 3.500%, CUSIP#3138X0A24, Maturing 07/01/43	529,930	Bank of New York Mellon, New York City
FNMA 6.000%, CUSIP#31412XNY6, Maturing 07/01/37	477,902	Bank of New York Mellon, New York City
FNMA 3.000%, CUSIP#31417EVK4, Maturing 02/01/43	20,091	Bank of New York Mellon, New York City
FMAC 4.500%, CUSIP#31417SBL3, Maturing 11/01/39	175,675	Bank of New York Mellon, New York City
FMAC 4.500%, CUSIP#31417YXX0, Maturing 03/01/41	<u>3,123</u>	Bank of New York Mellon, New York City
Total pledged securities	<u>\$ 3,041,334</u>	

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Motor Vehicle	Municipal Court	EMS Donations	Payroll Cash	Total Agency Funds
Beginning Cash	\$ 4,964	\$ 4,807	\$ -	\$ -	9,771
Additions	8,309	-	-	-	8,309
Deletions	<u>(8,121)</u>	<u>(4,807)</u>	<u>-</u>	<u>-</u>	<u>(12,928)</u>
Ending Cash	<u>\$ 5,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,152</u>
Beginning Liabilities	\$ 4,964	\$ 4,807	\$ -	\$ -	9,771
Additions	8,309	-	-	-	8,309
Deletions	<u>(8,121)</u>	<u>(4,807)</u>	<u>-</u>	<u>-</u>	<u>(12,928)</u>
Ending Liabilities	<u>\$ 5,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,152</u>

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

Federal Grantor Pass Through Grantor Program Title	CFDA	Program or Grant Number	Award Amount	Expenditures
<i><u>United States Department of Agriculture</u></i>				
Water and Waste System - Rural Utilities Grant	10.859	None	\$ 918,000	\$ 537,248
Water and Waste System - Rural Utilities Loan	10.859	None	262,000	-
<i><u>United States Department of Health and Human Services</u></i>				
North Central New Mexico Economic Development District	93.045	2014-15-68028	<u>18,366</u>	<u>17,114</u>
Total Expenditures of Federal Awards			<u>\$ 1,198,366</u>	<u>\$ 554,362</u>

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

Note 1 - Basis of Presentation

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Jal and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

COMPLIANCE SECTION



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

**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*
INDEPENDENT AUDITORS' REPORT**

Timothy Keller
New Mexico State Auditor
The Council Members
City of Jal, New Mexico
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 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 comparison of the general fund and major special revenue funds, of the City of Jal, New Mexico as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City of Jal, New Mexico's basic financial statements and the combining and individual funds and related budgetary comparisons the City of Jal, New Mexico presented as supplemental information, and have issued our report thereon dated February 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jal, New Mexico's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jal, New Mexico's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jal, New Mexico'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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2009-007, 2012-001)

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 accompany schedule of findings and questioned costs to be significant deficiencies. (2015-002, 2015-004)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jal, New Mexico'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 an instance of noncompliance, or other matter, that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-003.

City of Jal, New Mexico's Response to Findings

City of Jal, New Mexico's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Jal, New Mexico'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 solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provided an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
February 5, 2016



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Timothy Keller
New Mexico State Auditor
and the Council Members
City of Jal
Jal, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Jal, New Mexico's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Jal, New Mexico's major federal programs for the year ended June 30, 2015. City of Jal, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Jal' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jal, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Jal, New Mexico's compliance.

Basis for Qualified Opinion on CFDA 10.859 Water and Waste System - Rural Utilities

As described in the accompanying schedule of findings and questioned costs, the City of Jal, New Mexico did not comply with requirements regarding CFDA 10.859 Water and Waste System - Rural Utilities as described in finding number 2015-004 for reporting. Compliance with such requirements is necessary, in our opinion, for the City of Jal, New Mexico to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 10.859 Water and Waste System - Rural Utilities

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Jal, New Mexico complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City of Jal, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Jal, New Mexico's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jal, New Mexico's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to described the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
February 5, 2016

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness (es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs

- Material weakness (es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Type of auditors' report issued on compliance with major programs: Qualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.859	Water and Waste System - Rural Utilities

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee X Yes No

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Section II - Financial Statement Findings

PRIOR YEAR FINDINGS

2009-001	Record Keeping (Material Weakness)	Resolved
2009-007	Expenditures in Excess of Budget (Material Weakness)	Revised and Repeated
2009-009	Deficiencies in Internal Control Structure Design, Operation, and Oversight - Comprehensive Documentation of Internal Controls (Significant Deficiency)	Resolved
2012-001	Deficiencies in Internal Control Structure Design, Operation, and Oversight - Capital Asset Deficiency (Material Weakness)	Revised and Repeated
2013-002	DFA Cash Report Does not Reconcile to the City's Cash by Fund (Significant Deficiency)	Resolved
2013-005	Untimely Deposit (Other)	Resolved
2013-006	Capital Asset Certification (Material Weakness)	Resolved
2013-007	Deficiencies in Internal Control Structure Design, Operation and Oversight - Purchase Orders (Significant Deficiency)	Resolved
2014-001	Deficiencies in Internal Control Over Accounts Payable (Material Weakness)	Resolved

CURRENT YEAR FINDINGS

2015-001	Late IPA recommendation and contract (Other Matters)
2015-002	Per Diem (Significant Deficiency)
2015-003	Anti-donation (Other Matters)
2015-004	Incomplete Schedule of Federal Awards - CFDA 10.859 Water and Waste System - Rural Utilities (Significant Deficiency)

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Expenditures in Excess of Budget (2009-007) - Material Weakness

CONDITION	The City over expended its budget in the following funds:	
	General fund	\$ 118,234
	Corrections Special Revenue	138
	Environmental Special Revenue Fund	110,797
	Street Special Revenue Fund	77,898
	Solid Waste Fund	<u>83,472</u>
	TOTAL	<u>\$ 390,539</u>

Further, the following fund had a deficit fund balance for the year ended June 30, 2015:

Streets Special Revenue Fund	<u>\$ 32,549</u>
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CRITERIA Section 6-6-6 NMSA, 1978 requires that the City keep expenditures within the budgeted amounts.

CAUSE High turnover in all departments has created inconsistencies in following City procedures

EFFECT Improper management of budgets can create cash short falls.

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.

RESPONSE 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 ensure all expenditures are authorized.

PROGRESS The City has not made progress in resolving this finding as of June 30, 2015

Expected Completion Date: June 30, 2016

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

**Deficiencies in Internal Control Structure Design, Operation and Oversight - Capital Asset Deficiency
(2012-001) - 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 only assets above the appropriate thresholds and depreciation expense in a timely manner.
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.
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 performed in fiscal year 2014, however, the City was unable to compile that information in a manner that made it possible to audit. 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 data required. It shall be the responsibility of City Clerk/Treasurer to appropriately update and maintain a permanent Fixed Asset File."
EFFECT	Because the internal control structure is inadequate in relation to capital assets, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect misstatements of accounting information.
RECOMMENDATION	The City should ensure that all information is accurately recorded regarding fixed asset information and that they can produce accurate reports.
RESPONSE	The City will ensure that all information is accurately recorded regarding fixed asset information and that we are able to produce accurate reports.
PROGRESS	The City has purchased new software to assist with asset management in FYE 2016. Further, the City is working on assessing the value of infrastructure to ensure the balances reflected in their financial statements are accurate.

Expected Completion Date: June 30, 2016

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Late IPA recommendation and contract (2015-001) - Other Matters

CONDITION	The IPA recommendation and audit contract was not submitted until October 2015.
CRITERIA	Per Section 2.2.2.8 NMAC, the local public body the IPA recommendation and audit contract should be delivered to the state by May 15th before the year end.
CAUSE	The City issued out an RFP, but struggled to procure a firm in a timely manner as a result of no response to the RFP.
EFFECT	The City will submit their FYE 2015 audit after the deadline and will be added on to the at risk list. Late audits result in untimely reporting.
RECOMMENDATION	The City should procure the IPA by the recommended state deadline, in order to start the audit in a timely fashion.
RESPONSE	The City will work on procuring timely in order to submit future audits with in the state deadline.

Expected Completion Date: May 15, 2016

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Per Diem (2015-002) - Significant Deficiency

CONDITION During our NM Compliance testwork, 3 out of 10 per diem samples tested showed travel expenses were paid in full to the employee prior to the travel instead of the approved 80% amount required, resulting in advance payments of a total of \$1,872, \$120, and \$110. It was also noted that the City Manager is not currently required to obtain travel authorization/approval.

CRITERIA NMAC 2.2.10 G (2) requires the City to comply with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, for all per diem and reimbursement rates.

CAUSE The City was unaware of the statute and related regulations requiring all employees to obtain approval for travel, and was aware of the 80% maximum allowed disbursement of travel expenses to employees but considered the full payment necessary in order for City employees to complete training. The City failed to maintain proper controls in place to monitor and verify per diem expenses.

EFFECT The City has inappropriately managed per diem, resulting in the violation of Section 10-8-7, NMSA 1978, and in the improper payment of per diem expenses to various employees.

RECOMMENDATION The City needs appropriate management personnel to enforce travel and per diem compliance with greater detail.

RESPONSE The City will implement policies and procedures over the accounting process including per diem, that will be compliant with NMSA.

Expected Completion Date: June 30, 2016

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Anti-donation (2015-003) - Other Matters

CONDITION

During our testwork of bank card purchases made by City employees, there was one charge of \$161.52 related to the purchase of a meal for an elected official and a member of his staff at a private function in Albuquerque. Consequently, this purchase relieved the United States Congress Member and a member of his staff from their obligation to pay for their meal. The supporting documentation was not sufficient to determine if any City business was discussed during the dinner that could justify the expense as necessary for the City's statutory function. The purchase of the meals may have violated the anti-donation clause of Article IX Section 14 of the New Mexico Constitution. In addition, the purchase of the meals was not in compliance with guidelines established by the Department of Finance and Administration.

CRITERIA

Article IX, Section 14 of the New Mexico Constitution states:

Neither the state nor any county, school district or municipality, except as provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation.

In Attorney General Opinion No. 97-02, the opinion noted that:

Generally, New Mexico courts have found the clause violated whenever the state or local governments have made outright gifts of money or property, or have effectively relieved private persons and entities from obligations they would otherwise have to meet.

The New Mexico Supreme Court has held that the anti-donation clause places clear prohibitions on the state's ability to donate public funds to private individuals or corporations even when such donations would facilitate a useful public purpose.

Authority and the Propriety of Expenditures notes the following criteria for determining if an expenditure is allowable under State law:

1. Constitutional, Statutory and Contractual Mission: the expenditures be consistent with the agency's mission.
2. Public Benefit and Purpose: requires expenditures to contribute to an agency achieving its constitutional, statutory, or contractual mission.
3. Necessity: making the best choice between options.
4. Appropriation, Budget, and Available Resources: the purpose of the expenditures be consistent with their related appropriation.

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Anti-donation (2015-003) - Other Matters (continued)

CAUSE	City Management was unaware that this purchase would violate any law.
EFFECT	The City is in violation the anti-donation clause of the New Mexico Constitution, and approved an expenditure that was not authorized by law.
RECOMMENDATION	<p>The City should obtain the White Paper and related memo from the Department of Finance and Administration and determine before expending any public funds similar to the expenditure covered in this finding to determine if the expenditure:</p> <ul style="list-style-type: none">• Complies with applicable laws governing the expenditure, for example, the per diem act.• Does not violate the anti-donation clause in the New Mexico Constitution.• And the expenditure is a necessity.
RESPONSE	The City will consider related policies, will revise local policies as necessary, and will provide training to City employees to ensure there are no unallowable expenses.

Expected Completion Date: June 30, 2016

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

**Incomplete Schedule of Federal Awards - CFDA 10.859 Water and Waste System - Rural
Utilities (2015-004) - Significant Deficiency**

CONDITION	USDA Grant award of \$918,000 was not included in the statement of federal awards in FYE 2014 audit report. The expenses incurred in FYE 2014 for this grant were \$27,263.
CRITERIA	The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.
CAUSE	The City overlooked the expense, and did not include it in the Schedule of Federal Awards (SEFA) in FYE 2014.
EFFECT	The SEFA was understated and thus the risk assessment and major fund determination may be inaccurate in the prior year.
RECOMMENDATION	The City should ensure all expenses belonging to an audit year are included in the SEFA
RESPONSE	The City will revisit their process to ensure all federal awards and expenses are reported in the appropriate fiscal year.

Expected Completion Date: June 30, 2016

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
ENTRANCE AND EXIT CONFERENCE
JUNE 30, 2015

An entrance conference was held on November 30, 2015 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

Cheryl Chance	Mayor
Jenny Edwards	Clerk/Treasurer
Gretchen Garcia	Deputy Clerk

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior Accountant
Gabriela Cohen	Audit Staff
Avi Chetry	Audit Staff

An exit conference was held on February 11, 2016 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

Cheryl Chance	Mayor
Bob Gallagher	City Manager
Gretchen Garcia	Deputy Clerk

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior Accountant
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The financial statements presented in this report were compiled with the assistance of the auditors, Beasley, Mitchell & Co., LLP. However, the contents of the financial statements remain the responsibility of management.