

STATE OF NEW MEXICO
CITY OF JAL
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
CITY OF JAL
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	Page
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2 - 4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	6 - 7
Statement of Activities	8
Fund Financial Statements:	
Major Governmental Funds:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	12 - 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual	15
Inter-Governmental Grants - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual	16
Youth and Aged - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual	17

STATE OF NEW MEXICO
CITY OF JAL
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS (CONTINUED)

Proprietary Funds:	
Statement of Net Position	19 - 20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22 - 23
Fiduciary Funds:	
Fiduciary Funds Listing	25
Statement of Fiduciary Net Assets	26
NOTES TO BASIC FINANCIAL STATEMENTS	28 - 69
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability - Municipal General Division	71
Schedule of City of Jal's Contributions - Municipal General Division	72
Schedule of Proportionate Share of the Net Pension Liability - Municipal Police Division	73
Schedule of City of Jal's Contributions - Municipal Police Division	74
SUPPLEMENTARY INFORMATION	
NONMAJOR GOVERNMENTAL FUNDS	
Special Revenue Funds	76
Combining Balance Sheet - Non-Major Special Revenue Funds	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Special Revenue Funds	78

STATE OF NEW MEXICO
CITY OF JAL
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS (CONTINUED)

Statement of Revenues, Expenditures and Changes in Fund Balance
Budgets (Non-GAAP Budgetary Basis) and Actual

Emergency Medical Service Fund	79
Streets Fund	80
Cemetery Fund	81
Corrections Fund	82
Law Enforcement Fund	83
State Fire Fund	84
Environmental Fund	85
Proprietary Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Water and Sewer Fund	87 - 88
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Solid Waste Fund	89

OTHER SUPPLEMENTARY INFORMATION

Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)	91 - 92
Schedule of Depositories and Temporary Investments	93 - 95
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	96

STATE OF NEW MEXICO
CITY OF JAL
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards - Independent Auditors' Report	98 - 99
Schedule of Findings and Responses	100 - 103
Entrance and Exit Conference	104

STATE OF NEW MEXICO
CITY OF JAL
OFFICIAL ROSTER
JUNE 30, 2016

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, 2016, 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, 2016, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the nonmajor funds for the year then ended in conformity 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 71 - 74, and the budgetary comparison information on pages 79 - 85 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's basic financial statements. 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of vendor information 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 December 15, 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

December 15, 2016

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,288,891	\$ 215,080	\$ 1,503,971
Accounts receivable	35,499	130,740	166,239
Taxes receivable	<u>366,935</u>	<u>-</u>	<u>366,935</u>
Total current assets	1,691,325	345,820	2,037,145
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	78,250	93,090	171,340
Capital assets, net	<u>1,947,437</u>	<u>1,316,786</u>	<u>3,264,223</u>
Total non-current assets	<u>2,025,687</u>	<u>1,409,876</u>	<u>3,435,563</u>
Total assets	3,717,012	1,755,696	5,472,708
DEFERRED OUTFLOWS:			
Deferred outflows	<u>104,021</u>	<u>26,598</u>	<u>130,619</u>
Total deferred outflows	<u>104,021</u>	<u>26,598</u>	<u>130,619</u>
Total assets and deferred outflows	<u>\$ 3,821,033</u>	<u>\$ 1,782,294</u>	<u>\$ 5,603,327</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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 300,624	\$ 44,938	\$ 345,562
Accrued interest	2,247	6,323	8,570
Accrued salaries	44,398	4,951	49,349
Unapplied deposits	-	93,090	93,090
Current portion of long-term debt	<u>57,716</u>	<u>55,738</u>	<u>113,454</u>
Total current liabilities	404,985	205,040	610,025
NON-CURRENT LIABILITIES:			
Compensated absences	34,535	2,588	37,123
Net pension liability	850,463	217,456	1,067,919
RCAC loan	-	969,561	969,561
Long-term debt, less current maturities	<u>341,753</u>	<u>367,770</u>	<u>709,523</u>
Total non-current liabilities	<u>1,226,751</u>	<u>1,557,375</u>	<u>2,784,126</u>
Total liabilities	1,631,736	1,762,415	3,394,151
DEFERRED INFLOWS:			
Deferred inflows	<u>32,405</u>	<u>8,286</u>	<u>40,691</u>
Total deferred inflows	<u>32,405</u>	<u>8,286</u>	<u>40,691</u>
Total liabilities and deferred inflows	1,664,141	1,770,701	3,434,842
NET POSITION			
Net investment in capital assets	1,547,968	893,278	2,441,246
Restricted for:			
Special revenue funds	566,674	-	566,674
Unrestricted	<u>42,250</u>	<u>(881,685)</u>	<u>(839,435)</u>
Total net position	<u>2,156,892</u>	<u>11,593</u>	<u>2,168,485</u>
Total liabilities, deferred inflows, and net position	<u>\$ 3,821,033</u>	<u>\$ 1,782,294</u>	<u>\$ 5,603,327</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, 2016

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	\$ 1,197,858	\$ -	\$ 162,500	\$ -	\$ (1,035,358)	\$ -	\$ (1,035,358)
Public safety	1,052,762	84,089	188,882	-	(779,791)	-	(779,791)
Public works	183,141	10,500	-	35,538	(137,103)	-	(137,103)
Culture and recreation	160,200	27,184	36,267	-	(96,749)	-	(96,749)
Health and welfare	1,664,055	-	-	-	(1,664,055)	-	(1,664,055)
Interest on long-term debt	9,632	-	-	-	(9,632)	-	(9,632)
Total governmental activities	4,267,648	121,773	387,649	35,538	(3,722,688)	-	(3,722,688)
Business-type activities:							
Water and sewer	1,891,021	804,562	-	-	-	(1,086,459)	(1,086,459)
Solid waste	360,550	432,429	-	-	-	71,879	71,879
Total business-type activities	2,251,571	1,236,991	-	-	-	(1,014,580)	(1,014,580)
Total primary government	6,519,219	1,358,764	387,649	35,538	(3,722,688)	(1,014,580)	(4,737,268)
General Revenues:							
Gross receipts taxes					2,961,300	57,151	3,018,451
Franchise taxes					42,664	-	42,664
Property taxes					118,699	-	118,699
Gasoline taxes					78,725	-	78,725
MVD taxes					99,345	-	99,345
Licenses and fees					142,836	(8,909)	133,927
Miscellaneous revenue					99,012	61,005	160,017
Transfers					(43,282)	43,282	-
Total general revenues and transfers					3,499,299	152,529	3,651,828
Changes in net position					(223,389)	(862,051)	(1,085,440)
Net position, beginning of year, as previously stated					4,155,489	521,590	4,677,079
Restatement					(1,775,208)	352,054	(1,423,154)
Net position, beginning of year, as restated					2,380,281	873,644	3,253,925
Net position, end of year					\$ 2,156,892	\$ 11,593	\$ 2,168,485

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, 2016

	General Fund	Inter- Governmental Grants	Youth and Aged	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 642,220	\$ 78,782	\$ 391,800	\$ 176,089	\$ 1,288,891
Restricted cash and cash equivalents	78,250	-	-	-	78,250
Accounts receivable	35,499	-	-	-	35,499
Taxes receivable	<u>319,339</u>	<u>-</u>	<u>34,452</u>	<u>13,144</u>	<u>366,935</u>
Total assets	<u>\$ 1,075,308</u>	<u>\$ 78,782</u>	<u>\$ 426,252</u>	<u>\$ 189,233</u>	<u>\$ 1,769,575</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 151,813	\$ 100,000	\$ -	\$ 48,811	\$ 300,624
Accrued salaries	<u>44,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,398</u>
Total liabilities	196,211	100,000	-	48,811	345,022
Deferred Inflows:					
Property tax revenue	<u>3,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,885</u>
Total liabilities and deferred inflows	200,096	100,000	-	48,811	348,907
Fund balances:					
Restricted, reported in:					
Special revenue funds	-	-	426,252	140,422	566,674
Unassigned, reported in:					
Special revenue funds	-	(21,218)	-	-	(21,218)
General fund	<u>875,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>875,212</u>
Total fund balances	<u>875,212</u>	<u>(21,218)</u>	<u>426,252</u>	<u>140,422</u>	<u>1,420,668</u>
Total liabilities and fund balances	<u>\$ 1,075,308</u>	<u>\$ 78,782</u>	<u>\$ 426,252</u>	<u>\$ 189,233</u>	<u>\$ 1,769,575</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, 2016

Total fund balances - governmental funds \$ 1,420,668

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	4,778,294	
Accumulated depreciation	<u>(2,830,857)</u>	1,947,437

Deferred outflows		104,021
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Deferred inflows:

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:		(32,405)
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Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:

Property taxes		3,885
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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	(2,247)	
Net pension liability	(850,463)	
Long-term debt	(399,469)	
Compensated absences	<u>(34,535)</u>	<u>(1,286,714)</u>

Total net position - governmental activities **\$ 2,156,892**

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, 2016

	General Fund	Inter- Governmental Grants	Youth and Aged	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Gross receipts	\$ 2,514,533	\$ -	\$ 387,541	\$ 59,226	\$ 2,961,300
Franchise	42,664	-	-	-	42,664
Property	114,814	-	-	-	114,814
Gasoline and motor vehicle	99,345	-	-	78,725	178,070
Intergovernmental - state	90,000	-	15,814	183,020	288,834
Charges for services	57,023	-	27,184	37,566	121,773
Licenses, fees and permits	142,836	-	-	-	142,836
Federal operating grants	-	-	20,453	-	20,453
Other grants and contributions	72,500	35,538	-	5,862	113,900
Other	97,162	-	1,850	-	99,012
	<u>3,230,877</u>	<u>35,538</u>	<u>452,842</u>	<u>364,399</u>	<u>4,083,656</u>
Total revenues	3,230,877	35,538	452,842	364,399	4,083,656
EXPENDITURES					
Current:					
General government	823,340	88,425	-	7,107	918,872
Public safety	887,714	-	-	129,046	1,016,760
Public works	160,015	-	-	2,135	162,150
Culture and recreation	-	-	148,919	-	148,919
Health and welfare	1,615,323	-	-	48,732	1,664,055
Capital outlay	266,893	11,575	-	44,919	323,387
Debt service:					
Principal	-	-	-	45,510	45,510
Interest	-	-	-	9,632	9,632
	<u>3,753,285</u>	<u>100,000</u>	<u>148,919</u>	<u>287,081</u>	<u>4,289,285</u>
Total expenditures	3,753,285	100,000	148,919	287,081	4,289,285
Excess (deficiency) of revenues over expenditures	(522,408)	(64,462)	303,923	77,318	(205,629)

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, 2016

	General Fund	Inter- Governmental Grants	Youth and Aged	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Transfers in	112,255	-	-	-	112,255
Transfers out	<u>(43,282)</u>	<u>(71,468)</u>	<u>-</u>	<u>(40,787)</u>	<u>(155,537)</u>
Total other financing source (uses)	<u>68,973</u>	<u>(71,468)</u>	<u>-</u>	<u>(40,787)</u>	<u>(43,282)</u>
Net change in fund balance	(453,435)	(135,930)	303,923	36,531	(248,911)
Fund balance at beginning of year	<u>1,328,647</u>	<u>114,712</u>	<u>122,329</u>	<u>103,891</u>	<u>1,669,579</u>
Fund balance at end of year	<u>\$ 875,212</u>	<u>\$ (21,218)</u>	<u>\$ 426,252</u>	<u>\$ 140,422</u>	<u>\$ 1,420,668</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, 2016

Net change in fund balances - total governmental funds \$ (248,911)

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

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	323,387	
Depreciation expense	(338,059)	(14,672)

Change in deferred outflows	38,161
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Change in deferred inflows	218,805
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Change in net pension liability	(231,591)
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Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures.	45,510
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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.	3,885
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Change in accrued interest - expenses that do not require current financial resources are not reported as expenditures.	(1,435)
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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).	(33,141)
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Change in net position of governmental activities **\$ (223,389)**

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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Gross receipts	\$ 946,031	\$ 1,212,273	\$ 2,514,533	\$ 1,302,260
Franchise	40,000	42,155	42,664	509
Oil and Gas	8,728	8,728	99,345	90,617
Property	154,806	154,806	114,814	(39,992)
Intergovernmental	1,271,997	1,733,306	90,000	(1,643,306)
Charges for services	51,200	123,335	57,023	(66,312)
Licenses, fees and permits	1,940	1,800	142,836	141,036
Fines	60,000	134,533	-	(134,533)
Other grant and contributions	-	-	72,500	72,500
Other	21,200	97,362	97,162	(200)
Total revenues	2,555,902	3,508,298	3,230,877	(277,421)
EXPENDITURES:				
Current				
General government	678,805	954,011	778,942	175,069
Public safety	448,142	1,379,972	887,714	492,258
Public works	160,015	160,015	160,015	-
Health and welfare	1,615,323	1,615,323	1,615,323	-
Capital outlay	266,893	266,893	266,893	-
Debt service	-	-	-	-
Other	-	64,391	-	64,391
Total expenditures	3,169,178	4,440,605	3,708,887	731,718
Excess (deficiency) of revenues over expenditures	(613,276)	(932,307)	(478,010)	454,297
OTHER FINANCING SOURCES (USES)				
Transfers in	-	209,057	112,255	(96,802)
Transfers out	-	-	(43,282)	(43,282)
Total other financing sources (uses)	-	209,057	68,973	(140,084)
Net changes in fund balance	(613,276)	(723,250)	(409,037)	314,213
Fund balance - beginning of the year	1,328,647	1,328,647	1,328,647	-
Fund balance - end of the year	<u>\$ 715,371</u>	<u>\$ 605,397</u>	<u>\$ 919,610</u>	<u>\$ 314,213</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (409,037)	
Net expenditure accruals			<u>(44,398)</u>	
Net change in fund balance GAAP basis			<u>\$ (453,435)</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, 2016

	<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	\$ 658,000	\$ 403,168	\$ 35,538	\$ (367,630)
Total revenues	658,000	403,168	35,538	(367,630)
EXPENDITURES:				
Current				
General government	653,892	333,799	88,425	245,374
Health and welfare	<u>11,575</u>	<u>11,575</u>	<u>11,575</u>	<u>-</u>
Total expenditures	<u>665,467</u>	<u>345,374</u>	<u>100,000</u>	<u>245,374</u>
Excess (deficiency) of revenues over expenditures	(7,467)	57,794	(64,462)	(122,256)
OTHER FINANCING SOURCES				
Transfers out	<u>-</u>	<u>-</u>	<u>(71,468)</u>	<u>(71,468)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>(71,468)</u>	<u>(71,468)</u>
Net changes in fund balance	(7,467)	57,794	(135,930)	(193,724)
Fund balance - beginning of the year	<u>114,712</u>	<u>114,712</u>	<u>114,712</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 107,245</u>	<u>\$ 172,506</u>	<u>\$ (21,218)</u>	<u>\$ (193,724)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (135,930)	
Net expenditure accruals			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ (135,930)</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Gross receipts	\$ -	\$ -	\$ 353,089	\$ 353,089
Charges for services	-	-	27,184	27,184
Other grants and contributions	250,470	458,750	1,850	(456,900)
Federal grants	25,984	29,268	20,453	(8,815)
State grants	<u>23,000</u>	<u>26,989</u>	<u>15,814</u>	<u>(11,175)</u>
Total revenues	299,454	515,007	418,390	(96,617)
EXPENDITURES:				
Current				
Culture and recreation	<u>456,284</u>	<u>258,209</u>	<u>148,919</u>	<u>109,290</u>
Total expenditures	<u>456,284</u>	<u>258,209</u>	<u>148,919</u>	<u>109,290</u>
Excess (deficiency) of revenues over expenditures	<u>(156,830)</u>	<u>256,798</u>	<u>269,471</u>	<u>12,673</u>
Net changes in fund balance	(156,830)	256,798	269,471	12,673
Fund balance - beginning of the year	<u>122,329</u>	<u>122,329</u>	<u>122,329</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (34,501)</u>	<u>\$ 379,127</u>	<u>\$ 391,800</u>	<u>\$ 12,673</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 269,471	
Net revenue accruals			34,452	
Net expenditure accruals			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ 303,923</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, 2016

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 12,621	\$ 202,459	\$ 215,080
Accounts receivable	<u>89,004</u>	<u>41,736</u>	<u>130,740</u>
Total current assets	101,625	244,195	345,820
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	93,090	-	93,090
Capital assets, net	<u>1,316,786</u>	<u>-</u>	<u>1,316,786</u>
Total non-current assets	<u>1,409,876</u>	<u>-</u>	<u>1,409,876</u>
Total assets	1,511,501	244,195	1,755,696
Deferred outflows			
Deferred outflows	<u>25,822</u>	<u>776</u>	<u>26,598</u>
Total deferred outflows	<u>25,822</u>	<u>776</u>	<u>26,598</u>
Total assets and deferred outflows	<u>\$ 1,537,323</u>	<u>\$ 244,971</u>	<u>\$ 1,782,294</u>

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, 2016

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 44,938	\$ -	\$ 44,938
Accrued interest	6,323	-	6,323
Accrued salaries	4,231	720	4,951
Meter deposits	93,090	-	93,090
Long-term debt - current portion	55,738	-	55,738
Total current liabilities	204,320	720	205,040
NON-CURRENT LIABILITIES:			
Compensated absences	2,588	-	2,588
Net pension liability	212,744	4,712	217,456
RCAC Loan	969,561	-	969,561
Capital leases - long-term portion	367,770	-	367,770
Total non-current liabilities	1,552,663	4,712	1,557,375
Total liabilities	1,756,983	5,432	1,762,415
Deferred inflows			
Deferred inflows	7,660	626	8,286
Total deferred inflows	7,660	626	8,286
Total liabilities and deferred inflows	1,764,643	6,058	1,770,701
NET POSITION			
Net investment in capital assets	893,278	-	893,278
Restricted for:			
Unrestricted, undesignated	(1,120,598)	238,913	(881,685)
Total net position	(227,320)	238,913	11,593
Total liabilities, deferred inflows and net position	\$ 1,537,323	\$ 244,971	\$ 1,782,294

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, 2016

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	\$ 804,562	\$ 432,429	\$ 1,236,991
Total operating revenues	804,562	432,429	1,236,991
OPERATING EXPENSES			
Salaries and wages	113,827	16,096	129,923
Employee benefits	541,232	-	541,232
Maintenance	275,137	8,545	283,682
Contracted and purchased services	550,475	335,909	886,384
Supplies	3,282	-	3,282
Utilities	107,068	-	107,068
Operating costs	126,419	-	126,419
Depreciation	123,786	-	123,786
Total operating expenses	<u>1,841,226</u>	<u>360,550</u>	<u>2,201,776</u>
Operating income (loss)	(1,036,664)	71,879	(964,785)
NON-OPERATING REVENUES (EXPENSES):			
Other miscellaneous	5,086	55,919	61,005
Gross receipts tax income	37,543	19,608	57,151
Gross receipts tax expense	(5,688)	(3,221)	(8,909)
Interest expense	<u>(49,795)</u>	<u>-</u>	<u>(49,795)</u>
Total non-operating revenues (expenses)	<u>(12,854)</u>	<u>72,306</u>	<u>59,452</u>
Transfers:			
Transfers in	<u>43,282</u>	<u>-</u>	<u>43,282</u>
Total transfers	<u>43,282</u>	<u>-</u>	<u>43,282</u>
Change in net position	(1,006,236)	144,185	(862,051)
Net position, beginning of year, as previously reported	426,862	94,728	521,590
Restatement	<u>352,054</u>	<u>-</u>	<u>352,054</u>
Net position, beginning of year, as restated	<u>778,916</u>	<u>94,728</u>	<u>873,644</u>
Net position, end of year	<u>\$ (227,320)</u>	<u>\$ 238,913</u>	<u>\$ 11,593</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, 2016

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from customers	\$ 1,160,313	\$ 426,135	\$ 1,586,448
Payments to employees for services	(656,208)	(28,403)	(684,611)
Payments to suppliers and contractors	<u>6,866,186</u>	<u>(374,860)</u>	<u>6,491,326</u>
Net cash provided by (used in) operating activities	7,370,291	22,872	7,393,163
Cash flows from non-capital activities and related financing activities:			
State shared taxes	31,855	16,387	48,242
Miscellaneous income	<u>48,368</u>	<u>55,919</u>	<u>104,287</u>
Net cash provided by (used in) non-capital activities and related financing activities:	80,223	72,306	152,529
Cash flows from capital activities and related financing activities:			
Grant proceeds	-	-	-
Interest expense	(45,796)	-	(45,796)
Change in capital assets	(8,328,945)	-	(8,328,945)
Principal payments on debt	<u>919,688</u>	<u>-</u>	<u>919,688</u>
Net cash used in capital activities and related financing activities:	<u>(7,455,053)</u>	<u>-</u>	<u>(7,455,053)</u>
Net increase (decrease) in cash and cash equivalents	(4,539)	95,178	90,639
Cash and cash equivalents - beginning	<u>110,250</u>	<u>107,281</u>	<u>217,531</u>
Cash and cash equivalents - ending	<u>\$ 105,711</u>	<u>\$ 202,459</u>	<u>\$ 308,170</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, 2016

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
SUPPLEMENTARY INFORMATION:			
Cash and cash equivalents	\$ 12,621	\$ 202,459	\$ 215,080
Restricted cash	<u>93,090</u>	<u>-</u>	<u>93,090</u>
Total cash and cash equivalents	<u>\$ 105,711</u>	<u>\$ 202,459</u>	<u>\$ 308,170</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$(1,036,664)	\$ 71,879	\$ (964,785)
Adjustments to operating income to net cash used in operating activities:			
Depreciation	8,100,677	-	8,100,677
Restatement	352,054	-	352,054
Changes in net position and liabilities:			
Accounts receivables	(6,958)	(6,858)	(13,816)
Other assets	(10,322)	564	(9,758)
Accounts payable	(50,760)	(30,406)	(81,166)
Accrued expenses	(6,462)	58	(6,404)
Compensated absences	2,436	-	2,436
Customer deposits	10,655	-	10,655
Other liabilities	<u>15,635</u>	<u>(12,365)</u>	<u>3,270</u>
Net cash provided by (used in) operating activities	<u>\$ 7,370,291</u>	<u>\$ 22,872</u>	<u>\$ 7,393,163</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, 2016

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, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents \$ 5,566

Total assets \$ 5,566

LIABILITIES

CURRENT LIABILITIES:

Due to other entities \$ 5,566

Total liabilities \$ 5,566

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016.

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, 2016

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, 2016

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, 2016, 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, 2016

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, 2016

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
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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.

E. New Governmental Accounting Standards

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 or 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.

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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. New Governmental 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 (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.

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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. New Governmental Accounting Standards (Continued)

In 2015, GASB issued GASB Statement No. 78, The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

In 2015, GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

In 2016, GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

In 2016, GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. New Governmental Accounting Standards (Continued)

In 2016, GASB issued GASB Statement No. 82, *Pension Issues An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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, 2016

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, 2016.

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, 2016, \$1,382,485 of the City's bank balances of \$1,710,735 was exposed to custodial credit risk. \$1,382,485 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 95 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, 2016

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 95 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.

4. ACCOUNTS RECEIVABLE

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

Taxes Receivables	
Gross receipts taxes	\$ 345,518
Franchise	5,669
Property taxes	7,814
Gas	6,254
MVD	<u>1,680</u>
	<u>\$ 366,935</u>

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

	Accounts Receivable	Allowance for Uncollectibles	Total
Municipal Courts	\$ 173,957	\$ (149,603)	\$ 24,354
Ambulance	<u>22,289</u>	<u>(11,144)</u>	<u>11,145</u>
	<u>\$ 196,246</u>	<u>\$ (160,747)</u>	<u>\$ 35,499</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

4. ACCOUNTS RECEIVABLE (CONTINUED)

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 \$3,885.

Accounts receivable reported in the business-type activities at June 30, 2016 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, 2016:

	Accounts Receivable	Allowance for Uncollectibles	Total
Water and sewer	\$ 115,136	\$ (26,132)	\$ 89,004
Solid waste	49,639	(7,903)	41,736
	\$ 164,775	\$ (34,035)	\$ 130,740

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, 2016 is as follows:

TRANSFERS:

Fund	Transfer In	Transfer Out
General Fund	\$ 112,255	\$ 43,282
Water and Sewer Fund	43,282	-
Streets	-	37,787
Intergovernmental Grants	-	71,468
Environmental Fund	-	3,000
Total	\$ 155,537	\$ 155,537

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2016, 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, 2015 as previously stated	Adjustments	Balance June 30, 2015 as restated	Additions	Retirements and Transfers	Balance June 30, 2016
<i>Governmental activities:</i>						
Capital assets not being depreciated:						
Land	\$ 53,151	\$ (8,562)	\$ 44,589	\$ -	\$ -	\$ 44,589
CIP	<u>142,461</u>	<u>-</u>	<u>142,461</u>	<u>-</u>	<u>(142,461)</u>	<u>-</u>
Total	195,612	(8,562)	187,050	-	(142,461)	44,589
Other capital assets being depreciated:						
Buildings and Improvements	4,089,914	(2,755,321)	1,334,593	47,617	-	1,382,210
Equipment	2,341,671	535,714	2,877,385	418,231	(43,899)	3,251,717
Infrastructure	<u>169,206</u>	<u>(69,428)</u>	<u>99,778</u>	<u>-</u>	<u>-</u>	<u>99,778</u>
Total	<u>6,600,791</u>	<u>(2,289,035)</u>	<u>4,311,756</u>	<u>465,848</u>	<u>(43,899)</u>	<u>4,733,705</u>
Total capital assets	6,796,403	(2,297,597)	4,498,806	465,848	(186,360)	4,778,294
Less accumulated depreciation for:						
Buildings and Improvements	1,252,957	(178,924)	1,074,033	15,964	-	1,089,997
Equipment	1,736,880	(307,475)	1,429,405	318,104	(43,899)	1,703,610
Infrastructure	<u>69,249</u>	<u>(35,990)</u>	<u>33,259</u>	<u>3,991</u>	<u>-</u>	<u>37,250</u>
Total accumulated depreciation	<u>3,059,086</u>	<u>(522,389)</u>	<u>2,536,697</u>	<u>338,059</u>	<u>(43,899)</u>	<u>2,830,857</u>
Governmental capital assets, net	<u>\$ 3,737,317</u>	<u>\$ (1,775,208)</u>	<u>\$ 1,962,109</u>	<u>\$ 127,789</u>	<u>\$ (142,461)</u>	<u>\$ 1,947,437</u>

Depreciation expense for the year ended June 30, 2016 was charged to governmental activities as follows:

General government	\$ 269,785
Public safety	36,002
Public works	20,991
Culture and recreation	<u>11,281</u>
Total	<u>\$ 338,059</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

6. CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2015 as previously stated	Adjustments	Balance June 30, 2015 as restated	Additions	Retirements and Transfers	Balance June 30, 2016
<i>Business-type activities:</i>						
Capital assets not being depreciated:						
Land	\$ 15,768	\$ 8,562	\$ 24,330	\$ -	\$ -	\$ 24,330
Construction in progress	<u>537,248</u>	<u>-</u>	<u>537,248</u>	<u>-</u>	<u>-</u>	<u>537,248</u>
Total	553,016	8,562	561,578	-	-	561,578
Capital assets being depreciated:						
Buildings and Improvements	399,478	276,910	676,388	-	-	676,388
Equipment	153,871	124,179	278,050	-	(17,590)	260,460
Infrastructure	<u>13,171,401</u>	<u>7,936,884</u>	<u>21,108,285</u>	<u>-</u>	<u>-</u>	<u>21,108,285</u>
Total	<u>13,724,750</u>	<u>8,337,973</u>	<u>22,062,723</u>	<u>-</u>	<u>(17,590)</u>	<u>22,045,133</u>
Total capital assets	14,277,766	8,346,535	22,624,301	-	(17,590)	22,606,711
Less accumulated depreciation:						
Buildings and Improvements	348,000	208,062	556,062	9,959	-	566,021
Equipment	136,003	(12,764)	123,239	38,581	(17,590)	144,230
Infrastructure	<u>12,705,245</u>	<u>7,799,183</u>	<u>20,504,428</u>	<u>75,246</u>	<u>-</u>	<u>20,579,674</u>
Total accumulated depreciation	<u>13,189,248</u>	<u>7,994,481</u>	<u>21,183,729</u>	<u>123,786</u>	<u>(17,590)</u>	<u>21,289,925</u>
Business-type capital assets, net	<u>\$ 1,088,518</u>	<u>\$ 352,054</u>	<u>\$ 1,440,572</u>	<u>\$ 123,786</u>	<u>\$ -</u>	<u>\$ 1,316,786</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2016 was \$123,786.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

7. LONG-TERM DEBT

A summary of changes in long-term debt, including capital lease obligations for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015, as previously stated	Additions	Reductions	Balance June 30, 2016
Governmental Activities:				
NMFA Loans	\$ 444,979	\$ -	\$ 45,510	\$ 399,469
Compensated Absences	<u>1,394</u>	<u>49,041</u>	<u>15,900</u>	<u>34,535</u>
Total Governmental Debt	<u>\$ 446,373</u>	<u>\$ 49,041</u>	<u>\$ 61,410</u>	<u>\$ 434,004</u>

	Balance June 30, 2015, as previously stated	Additions	Reductions	Balance June 30, 2016
Business-Type Activities:				
Capital Leases	\$ 473,382	\$ -	\$ 49,874	\$ 423,508
Rural Community Assistance Corporation (RCAC loan)	-	969,561	-	969,561
Compensated Absences	<u>152</u>	<u>7,401</u>	<u>4,965</u>	<u>2,588</u>
Total Business-Type Debt	<u>\$ 473,534</u>	<u>\$ 976,962</u>	<u>\$ 54,839</u>	<u>\$ 1,395,657</u>

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

Year Ended June 30,	<u>Governmental</u>			<u>Business-Type</u>		
	Principal	Interest	Total	Principal	Interest	Total
2017	57,716	7,836	65,552	55,738	25,291	81,029
2018	59,064	6,488	65,552	1,030,703	21,963	1,052,666
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>160,387</u>	<u>6,026</u>	<u>166,413</u>	<u>166,629</u>	<u>15,152</u>	<u>181,781</u>
Total	<u>\$ 399,469</u>	<u>\$ 29,152</u>	<u>\$ 428,621</u>	<u>\$ 1,393,069</u>	<u>\$ 95,070</u>	<u>\$ 1,488,139</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 24,147	Fire Truck
NMFA - #2	1.73%	Monthly	\$3,240	June 2024	<u>33,569</u>	Fire Truck
					<u>\$ 57,716</u>	

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Purpose
Business-Type Activities:						
Capital Lease Rural Community Assistance Corporation (RCAC loan)	5.89 %	Monthly	\$6,518	April 2022	\$ 55,738	Water Meters
	5 %	At the end of maturity	\$ 969,561	July 01, 2017	<u>-</u>	Water System Project
					<u>\$ 55,738</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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 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

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

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

10. PERA PENSION PLAN (CONTINUED)

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.

Summary of Significant Accounting Policies

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.

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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

10. PERA PENSION PLAN (CONTINUED)

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 \$91,367 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2016.

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 performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

10. PERA PENSION PLAN (CONTINUED)

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, 2016, the City reported the following liability:

Municipal General Division	\$	769,788
Municipal Police Division		<u>298,131</u>
Total Net Pension Liability	\$	<u>1,067,919</u>

The amounts are the proportionate share of the net pension liability. At June 30, 2015, the City's proportion noted below was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the City recognized the following pension expense:

Municipal General Division	\$	27,061
Municipal Police Division		<u>25,446</u>
Total pension expense	\$	<u>52,507</u>

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows or resources related to pensions for Municipal General Division from the following sources:

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

10. PERA PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 17,051
Changes in assumptions	-	300
Net difference between projected and actual earnings on pension plan investments	-	2,435
Changes in proportion and differences between City of Jal contributions and proportionate share of contributions	-	7,744
City of Jal contributions subsequent to the measurement date	<u>49,758</u>	<u>-</u>
Total	<u>\$ 49,758</u>	<u>\$ 27,530</u>

At June 30, 2016, 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
Differences between expected and actual experience	\$ 20,832	\$ -
Changes in assumptions	-	12,334
Net difference between projected and actual earnings on pension plan investments	-	827
Changes in proportion and differences between City of Jal contributions and proportionate share of contributions	18,420	-
City of Jal contributions subsequent to the measurement date	<u>41,609</u>	<u>-</u>
Total	<u>\$ 80,861</u>	<u>\$ 13,161</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

10. PERA PENSION PLAN (CONTINUED)

	<u>Liability Proportion</u>
Municipal General Division	0.0755%
Municipal Police Division	0.0620%

In June 30, 2016 \$91,367, 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	\$	(20,389)	\$	(2,539)
2017	\$	(20,389)	\$	(2,539)
2018	\$	(20,389)	\$	(2,539)
2019	\$	41,380	\$	15,286
2020	\$	-	\$	-

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

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

10. PERA PENSION PLAN (CONTINUED)

-Projected benefit payment	100 years
-Payroll growth	3.50% annual rate
-Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
-Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
-Experience study dates	July 1, 2008 to June 30, 2013

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 %	

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

10. PERA PENSION PLAN (CONTINUED)

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.

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%
City's Proportionate share of the Net Pension Liability	1,802,988	1,067,919	458,912
TOTAL	\$ 1,802,988	\$ 1,067,919	\$ 458,912

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, 2016.

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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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

The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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

(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, 2016, 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, 2016 the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
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, 2016, 2015, and 2014 were \$18,388 \$16,781, and \$16,731 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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2016

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, 2016

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, 2016

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, 2016

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	07/01/2016 06/30/2017
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, 2016

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	07/01/2016 06/30/2017
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, 2016

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	07/01/2016
	Ending	06/30/2017
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, 2016

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	07/01/2016 06/30/2017
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, 2016

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, 2016:

Water and Sewer Fund	\$ <u>(227,320)</u>
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15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2016 the date the financial statements were available to be issued.

16. RESTATEMENT

A prior period adjustment of \$(1,775,208) was recorded for governmental activities, and a prior period adjustment of \$352,054 was recorded for business-type activities during the fiscal year ended June 30, 2016, for a total restatement of \$(1,423,154). The restatement was made to correct an error in capital assets.

	Governmental Activities	Business-Type Activities
Property, Plant and Equipment	\$ (2,297,597)	\$ 8,346,535
Accumulated Depreciation	<u>522,389</u>	<u>(7,994,481)</u>
Total prior year adjustment	<u>\$ (1,775,208)</u>	<u>\$ 352,054</u>

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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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 \$566,674 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, 2016

	<u>2015</u>	<u>2016</u>
The City of Jal's proportion of the net pension liability	\$ 599,122	\$ 769,788
The City of Jal's proportionate share of the net pension liability	0.0755%	0
The City of Jal's covered-employee payroll	\$ 399,818	\$ 577,050
The City of Jal's proportionate share of the net pension liability as a percentage of its covered-employee payroll	149.85 %	133.40 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %

*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, 2016

	2015	2016
Contractually required contribution	\$ 45,035	\$ 49,758
Contributions in relation to the contractually required contribution	<u>45,035</u>	<u>49,758</u>
Contribution deficiency (excess)	-	-
The City of Jal's covered-employee payroll	<u>\$ 399,818</u>	<u>\$ 577,050</u>
Contributions as a percentage of covered-employee payroll	<u>11.00 %</u>	<u>8.62 %</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
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, 2016

	<u>2015</u>	<u>2016</u>
The City of Jal's proportion of the net pension liability	\$ 177,990	\$ 298,131
The City of Jal's proportionate share of the net pension liability	0.0620 %	0.0620 %
The City of Jal's covered-employee payroll	\$ 436,140	\$ 482,545
The City of Jal's proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.81 %	61.78 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %

*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, 2016

	2015	2016
Contractually required contribution	\$ 37,665	\$ 41,609
Contributions in relation to the contractually required contribution	37,665	41,609
Contribution deficiency (excess)	-	-
The City of Jal's covered-employee payroll	\$ 436,140	\$ 482,545
Contributions as a percentage of covered-employee payroll	9.00 %	8.62 %

* 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.

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, 2016

	EMS	Street	Cemetery	Corrections	Law Enforcement	State Fire	Environmental	Total Nonmajor Funds
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ 20,299	\$ 72,106	\$ -	\$ 78,835	\$ 4,849	\$ 176,089
Taxes receivables	-	6,254	-	-	-	-	6,890	13,144
Total assets	<u>\$ -</u>	<u>\$ 6,254</u>	<u>\$ 20,299</u>	<u>\$ 72,106</u>	<u>\$ -</u>	<u>\$ 78,835</u>	<u>\$ 11,739</u>	<u>\$ 189,233</u>
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,811	\$ -	\$ 48,811
Total liabilities	-	-	-	-	-	48,811	-	48,811
Fund balances:								
Restricted, reported in:								
Special revenue funds	-	6,254	20,299	72,106	-	30,024	11,739	140,422
Total fund balances	-	6,254	20,299	72,106	-	30,024	11,739	140,422
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 6,254</u>	<u>\$ 20,299</u>	<u>\$ 72,106</u>	<u>\$ -</u>	<u>\$ 78,835</u>	<u>\$ 11,739</u>	<u>\$ 189,233</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, 2016

	EMS	Street	Cemetery	Corrections	Law Enforcement	State Fire	Environmental	Total Nonmajor Funds
Revenues:								
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,226	\$ 59,226
Gasoline tax	-	78,725	-	-	-	-	-	78,725
Intergovernmental - state	-	-	-	-	22,400	160,620	-	183,020
Charges for services	-	-	10,500	27,066	-	-	-	37,566
Other grants and contributions	5,862	-	-	-	-	-	-	5,862
Total revenues	5,862	78,725	10,500	27,066	22,400	160,620	59,226	364,399
Expenditures:								
General government	-	-	7,107	-	-	-	-	7,107
Public safety	5,862	-	-	7,439	-	115,745	-	129,046
Public works	-	2,135	-	-	-	-	-	2,135
Health and welfare	-	-	-	-	-	-	48,732	48,732
Capital outlay	-	-	-	-	22,400	22,519	-	44,919
Debt service								
Principal	-	-	-	-	-	45,510	-	45,510
Interest	-	-	-	-	-	9,632	-	9,632
Total expenditures	5,862	2,135	7,107	7,439	22,400	193,406	48,732	287,081
Excess (deficit) of revenues over expenditures	-	76,590	3,393	19,627	-	(32,786)	10,494	77,318
Other financing sources:								
Transfer in	-	-	-	-	-	-	-	-
Transfers out	-	(37,787)	-	-	-	-	(3,000)	(40,787)
Total other financing sources	-	(37,787)	-	-	-	-	(3,000)	(40,787)
Net change in fund balances	-	38,803	3,393	19,627	-	(32,786)	7,494	36,531
Fund balance - beginning of year	-	(32,549)	16,906	52,479	-	62,810	4,245	103,891
Fund balance - end of year	\$ -	\$ 6,254	\$ 20,299	\$ 72,106	\$ -	\$ 30,024	\$ 11,739	\$ 140,422

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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ 5,862	\$ 5,862	\$ 5,862	\$ -
Total revenues	5,862	5,862	5,862	-
EXPENDITURES:				
Current				
Public safety	5,862	5,862	5,862	-
Total expenditures	5,862	5,862	5,862	-
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
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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Gasoline taxes	\$ 60,000	\$ 81,000	\$ 44,273	\$ (36,727)
Total revenues	60,000	81,000	44,273	(36,727)
EXPENDITURES:				
Current				
General government	60,000	60,000	2,135	57,865
Total expenditures	60,000	60,000	2,135	57,865
Excess (deficiency) of revenues over expenditures	-	21,000	42,138	21,138
Transfers out	-	-	(37,787)	(37,787)
Total other financing sources (uses)	-	-	(37,787)	(37,787)
Net changes in fund balance	-	21,000	4,351	(16,649)
Fund balance - beginning of the year	(32,549)	(32,549)	(32,549)	-
Fund balance - end of the year	<u>\$ (32,549)</u>	<u>\$ (11,549)</u>	<u>\$ (28,198)</u>	<u>\$ (16,649)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 4,351	
Net revenue accruals			<u>34,452</u>	
Net change in fund balance GAAP basis			<u>\$ 38,803</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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 8,000	\$ 10,500	\$ 10,500	\$ -
Total revenues	8,000	10,500	10,500	-
EXPENDITURES:				
Current				
General government	8,000	8,192	7,107	1,085
Total expenditures	8,000	8,192	7,107	1,085
Excess (deficiency) of revenues over expenditures	-	2,308	3,393	1,085
Net changes in fund balance	-	2,308	3,393	1,085
Fund balance - beginning of year	16,906	16,906	16,906	-
Fund balance - end of the year	<u>\$ 16,906</u>	<u>\$ 19,214</u>	<u>\$ 20,299</u>	<u>\$ 1,085</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 3,393</u>	
Net change in fund balance GAAP basis			<u>\$ 3,393</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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Correction Fees	\$ 11,000	\$ 28,000	\$ 27,066	\$ (934)
Total revenues	11,000	28,000	27,066	(934)
EXPENDITURES:				
Current				
Public safety	16,000	7,956	7,439	517
Total expenditures	16,000	7,956	7,439	517
Excess (deficiency) of revenues over expenditures	(5,000)	20,044	19,627	(417)
Net changes in fund balance	(5,000)	20,044	19,627	(417)
Fund balance - beginning of the year	52,479	52,479	52,479	-
Fund balance - end of the year	<u>\$ 47,479</u>	<u>\$ 72,523</u>	<u>\$ 72,106</u>	<u>\$ (417)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 19,627</u>	
Net change in fund balance GAAP basis			<u>\$ 19,627</u>	

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, 2016

	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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ 140,000	\$ 147,920	\$ 160,620	\$ 12,700
Miscellaneous revenue	<u>10,000</u>	<u>12,700</u>	<u>-</u>	<u>(12,700)</u>
Total revenues	150,000	160,620	160,620	-
EXPENDITURES:				
Current				
Public safety	72,339	112,523	66,934	45,589
Capital outlay	22,519	22,519	22,519	-
Principal	45,510	45,510	45,510	-
Interest	<u>9,632</u>	<u>9,632</u>	<u>9,632</u>	<u>-</u>
Total expenditures	<u>150,000</u>	<u>190,184</u>	<u>144,595</u>	<u>45,589</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(29,564)</u>	<u>16,025</u>	<u>45,589</u>
Net changes in fund balance	-	(29,564)	16,025	45,589
Fund balance - beginning of the year	<u>62,810</u>	<u>62,810</u>	<u>62,810</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 62,810</u>	<u>\$ 33,246</u>	<u>\$ 78,835</u>	<u>\$ 45,589</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 16,025	
Net expenditure accruals			<u>(48,811)</u>	
Net change in fund balance GAAP basis			<u>\$ (32,786)</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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts tax	\$ 45,702	\$ 65,000	\$ 52,336	\$ (12,664)
Total revenues	45,702	65,000	52,336	(12,664)
EXPENDITURES:				
Health and welfare	35,000	114,249	48,732	65,517
Total expenditures	35,000	114,249	48,732	65,517
Excess (deficiency) of revenues over expenditures	10,702	(49,249)	3,604	52,853
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(3,000)	(3,000)	-
Total other financing sources (uses)	-	(3,000)	(3,000)	-
Net changes in fund balance	10,702	(52,249)	604	52,853
Fund balance - beginning of the year	4,245	4,245	4,245	-
Fund balance - end of the year	<u>\$ 14,947</u>	<u>\$ (48,004)</u>	<u>\$ 4,849</u>	<u>\$ 52,853</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 604	
Net revenue accruals			<u>6,890</u>	
Net change in fund balance GAAP basis			<u>\$ 7,494</u>	

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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 748,200	\$ 833,400	\$ 804,562	\$ (28,838)
Gross receipts - dedicated	27,000	39,300	-	(39,300)
Federal grants	-	902,336	-	(902,336)
Other grants	-	22,621	-	(22,621)
	<u>775,200</u>	<u>1,797,657</u>	<u>804,562</u>	<u>(993,095)</u>
OPERATING EXPENSES:				
Personnel services	789,641	789,156	655,059	134,097
Contracted and purchased services	-	550,475	550,475	-
Supplies and purchased power	-	3,282	3,282	-
Maintenance	-	275,137	275,137	-
Utilities	-	107,068	107,068	-
Operating costs	-	126,419	126,419	-
	<u>789,641</u>	<u>1,851,537</u>	<u>1,717,440</u>	<u>134,097</u>
Total operating expenses	<u>789,641</u>	<u>1,851,537</u>	<u>1,717,440</u>	<u>134,097</u>
Operating income (loss)	(14,441)	(53,880)	(912,878)	(858,998)
NON-OPERATING REVENUE (EXPENSES):				
Miscellaneous income	23,000	23,000	5,086	(17,914)
Gross receipts income	-	-	37,543	37,543
Gross receipt expense	(5,688)	(5,688)	(5,688)	-
Interest expense	-	(49,795)	(49,795)	-
	<u>17,312</u>	<u>(32,483)</u>	<u>(12,854)</u>	<u>19,629</u>
Total non-operating revenues (expenses)	<u>17,312</u>	<u>(32,483)</u>	<u>(12,854)</u>	<u>19,629</u>
Total net income (loss)	2,871	(86,363)	(882,450)	(796,087)

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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Fund balance - beginning of the year, as previously stated	426,862	426,862	426,862	-
Implementation of GASB 68	<u>-</u>	<u>-</u>	<u>352,054</u>	<u>352,054</u>
Fund balance - beginning of year, as restated	<u>426,862</u>	<u>426,862</u>	<u>778,916</u>	<u>352,054</u>
Fund balance - end of the year	<u>\$ 429,733</u>	<u>\$ 340,499</u>	<u>\$ (103,534)</u>	<u>\$ (444,033)</u>
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ (882,450)	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			<u>(123,786)</u>	
Net income after transfers-financial statement basis			<u>\$ (1,006,236)</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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 340,000	\$ 399,000	\$ 432,429	\$ 33,429
Total revenues	340,000	399,000	432,429	33,429
OPERATING EXPENSES:				
Personnel services	36,004	36,004	16,096	19,908
Contracted and purchased services	335,909	335,909	335,909	-
Maintenance	8,545	8,545	8,545	-
Total operating expenses	380,458	380,458	360,550	19,908
Operating income (loss)	(40,458)	18,542	71,879	53,337
NON-OPERATING REVENUE (EXPENSES):				
Miscellaneous income	-	43,367	55,919	12,552
Environmental gross receipts tax	14,000	22,000	19,608	(2,392)
Gross receipts expense	(3,221)	(3,221)	(3,221)	-
Total non-operating revenues (expenses)	10,779	62,146	72,306	10,160
Total net income (loss)	(29,679)	80,688	144,185	63,497
Fund balance - beginning of the year	94,728	94,728	94,728	-
Fund balance - end of the year	\$ 65,049	\$ 175,416	\$ 238,913	\$ 63,497
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 144,185	
Net income after transfers-financial statement basis			\$ 144,185	

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, 2016
Prepared by: Jenny Edwards, City Clerk/Treasurer Date: December 12, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
USDA	Cooperative Educational Services (CES)	CES-Souder, Miller & Associates	\$1,477,990.00	No changes	N/A	Y	N/A	Engineering Svc
CES	CES	CES-Souder, Miller & Associates	\$ 171,638.07	No changes	N/A	Y	N/A	Engineering Svc
Bid-1 Main Street	RFB	Carreon Construction-completed in FY 2017	\$ 261,369.54	\$43,775.60	Abraham's Construction, Inc. 7605 Morrow Rd NE, Albuquerque, NM 87110. Century Club Construction 8201 Golf Course Rd NM, Suite D3-295, Albuquerque, NM 87210. Ramirez & Sons 3404 N. Enterprise Dr., Hobbs, NM 88240	Y	N	Construction
Bid-2 North Park	RFB	Carreon Construction-completed in FY 2017	\$ 401,484.38	No changes	Accent Landscape Contractors, PO Box 30983, Albuquerque, NM 87190	Y	N	Construction
Bid-3 Jal Lake Wells	RFB	File Construction-completed in FY 2017	\$ 368,868.63	\$79,308.63	Stewart Brothers Drilling, PO Box 2067, Milan, NM 87021	Y	N	Construction

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016
Prepared by: Jenny Edwards, City Clerk/Treasurer Date: December 12, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
Bid- 4 Veterans	RFB	Carreon Construction-completed in FY 2017	\$ 305,128.13	No changes	Entrench Inc., 3311 N Grimes, Hobbs, NM	Y	N	Construction
Bid- 5 Centennial	RFB	Carreon Construction-completed in FY 2017	\$ 243,031.88	No changes	Entrench Inc., 3311 N Grimes, Hobbs, NM	Y	N	Construction
HGAC	HGAC	Phoenix Group-HGAC	\$ 143,284.38	No changes	N/A	N	N/A	Ambulance
CES	CES	Constructor's Inc.	\$ 64,554.75	No changes	N/A	Y	N/A	Pave parking lot & ramp
CES	CES	Dalco	\$ 167,213.98	No changes	N/A	Y	N/A	Renovate PD
CES	CES	Don Chalmers	\$ 66,846.99	No changes	N/A	Y	N/A	PD Ford Expedition
Texas Buy Board	Texas Buy Board	Play-NM	\$ 70,046.11	No changes	N/A	Y	N/A	Playground equipment
-	-	E&W Abstract	\$ 80,640.27	No changes	N/A	Y	N/A	Land purchase
CES	CES	Constructor's Inc.	\$ 95361.24	No changes	N/A	Y	N/A	street crack-fill repairs

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2016

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
Wells Fargo				
Operating	Checking	\$ 1,632,453	\$ (80,052)	\$ 1,552,401
USDA	Checking	<u>32</u>	<u>-</u>	<u>32</u>
Total Checking		1,632,485	(80,052)	1,552,433
Certificate Deposits	CD	<u>78,250</u>	<u>-</u>	<u>78,250</u>
Total interest bearing		<u>78,250</u>	<u>-</u>	<u>78,250</u>
Total Wells Fargo deposits		<u>1,710,735</u>	<u>\$ (80,052)</u>	1,630,683
Petty Cash				450
Restricted Cash				
Rural Community Assistance Corporation (RCAC)	Interest Reserve Amount	<u>49,776</u>		<u>49,776</u>
Total		1,760,511		<u>1,680,909</u>
Less FDIC Coverage		<u>(378,026)</u>		
Total uninsured public funds		<u>1,382,485</u>		
50% collateral requirements		691,243		
Pledge securities		<u>(1,700,919)</u>		
Over/(under) collateralized		<u>\$ 1,009,676</u>		

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2016

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	\$ 1,288,891	\$ 215,080	\$ 1,503,971
Cash and cash equivalents - Restricted	<u>78,250</u>	<u>93,090</u>	<u>171,340</u>
Total Government-Wide	<u>\$ 1,367,141</u>	<u>\$ 308,170</u>	<u>\$ 1,675,311</u>
Cash Source:			
Wells Fargo Bank - City of Jal			\$ 1,625,117
Wells Fargo Bank - Agency			<u>5,566</u>
Total Wells Fargo deposits			1,630,683
Rural Community Assistance Corporation (RCAC)			49,776
Petty Cash			<u>450</u>
TOTAL CASH			<u>\$ 1,680,909</u>

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2016

Description of Pledged Collateral	Amount	Name and Location
Wells Fargo Bank		
FNMA FNMS 3.000%, CUSIP#3138AWJN4, Maturing 1/1/2017	<u>\$ 1,700,919</u>	Bank of New York Mellon, New York City
Total pledged securities	<u>\$ 1,700,919</u>	

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Motor Vehicle	Municipal Court	EMS Donations	Payroll Cash	Total Agency Funds
Beginning Cash	\$ 5,152	\$ -	\$ -	\$ -	\$ 5,152
Additions	13,136	-	-	-	13,136
Deletions	<u>(12,722)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,722)</u>
Ending Cash	<u>\$ 5,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,566</u>
Beginning Liabilities	\$ 5,152	\$ -	\$ -	\$ -	5,152
Additions	13,136	-	-	-	13,136
Deletions	<u>(12,722)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,722)</u>
Ending Liabilities	<u>\$ 5,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,566</u>

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, 2016 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 December 15, 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 responses, we identified certain deficiencies in internal control that we consider to be 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 responses to be material weaknesses. (2009-007)

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 responses to be significant deficiencies. (2016-001, 2016-002)

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.

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 responses. 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

Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

December 15, 2016

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

Section II - Financial Statement Findings

PRIOR YEAR FINDINGS

2009-007	Expenditures in Excess of Budget (Material Weakness)	Revised and Repeated
2015-001	Late IPA recommendation and contract (Other Matters)	Resolved
2015-002	Per Diem (Significant Deficiency)	Resolved
2015-003	Anti-donation (Other Matters)	Resolved
2015-004	Incomplete Schedule of Federal Awards - CFDA 10.859 Water and Waste System - Rural Utilities (Significant Deficiency)	Resolved

CURRENT YEAR FINDINGS

2016-001	Cash Management (Significant Deficiency)	
2016-002	Lack of Internal Control Over Adjusting Journal Entries - (Significant Deficiency)	

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

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

CONDITION In fiscal year 2016, the City monitored budgetary process including the preparation and adjustment of the budget in order to ensure all expenditures are authorized. However, since the City was unaware of the requirement to have budgets for transfer outs as well, the City did not have budgets for transfers out from the following funds in fiscal year 2016:

Inter -Governmental grants	\$	71,468
Streets Special Revenue Fund		37,787
General Fund		<u>43,282</u>
 TOTAL	 \$	 <u>152,537</u>

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

CAUSE Lack of oversight and proper controls.

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.

Expected Completion Date: June 30, 2017

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

Cash Management (2016-001) - Significant Deficiency

CONDITION	<p>Total cash amount reported in the DFA report is not in agreement with either bank reconciliation or the cash general ledger. The cash amounts reported in the DFA report and bank reconciliations are \$1,231,802 and \$1,680,877 respectively.</p> <p>An interest reserve cash amount totaling \$49,776 has not been reflected in the books and quarterly Department of Finance and Administration (DFA) reports of City of Jal. As a result, the cash balance has been understated in both the books and DFA report.</p>
CRITERIA	<p>Per Section 6-6-3 NMSA 1978, every local public body shall:</p> <ol style="list-style-type: none">1) Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division;2) Make all reports as may be required by the local government division; and3) Conform to the rules and regulations adopted by the local government division. <p>Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, The Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.</p>
CAUSE	<p>The City was unaware of the interest reserve cash amount.</p>
EFFECT	<p>Cash balances of the city is misstated.</p>
RECOMMENDATION	<p>The City should make sure the cash balance reported in the DFA report, and bank reconciliation matches with the cash general ledger.</p> <p>The City should record the interest reserve cash amount.</p>
RESPONSE	<p>The City will ensure that the cash balances reported in the DFA report, and bank reconciliation matches with the cash general ledger. The City will record the interest reserve cash amount.</p>

Expected Completion Date: June 30, 2017

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

(2016-002) Lack of Internal Control Over Adjusting Journal Entries - Significant Deficiency

CONDITION	All the five judgmentally selected manual adjusting journal entries did not have a written approval.
CRITERIA	Section 6-5-2, NMSA 1978, requires that the authority shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.
CAUSE	The City was unaware of this requirement.
EFFECT	There may be unauthorized adjustments made, leaving room for error and management override.
RECOMMENDATION	The City should implement a review process for all transactions to mitigate risk of error, or manipulation.
RESPONSE	The City will implement a process of authorizing journal entries that involves signed approval. This will ensure proper oversight of manual journal entries.

Expected Completion Date: June 30, 2017

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
ENTRANCE AND EXIT CONFERENCE
JUNE 30, 2016

An entrance conference was held on September 12, 2016 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

Bob Gallagher	City Manger
Jenny Edwards	Clerk/Treasurer

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior Accountant
Avi Chettry	Audit Staff

An exit conference was held on December 15, 2016 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

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

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior Accountant
Avi Chettry	Audit Staff

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.