

STATE OF NEW MEXICO
CITY OF JAL
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
CITY OF JAL
FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	Page
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2 - 5
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	7 - 8
Statement of Activities	9
Fund Financial Statements:	
Major Governmental Funds:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	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
Youth and Aged - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual	16
Municipal Streets - 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, 2019

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
PERA Notes to Required Supplementary Information	75
Schedule of Proportionate Share of the OPEB Liability	76
Schedule of City of Jal' Contributions - OPEB	77
OPEB Notes to Required Supplementary Information	78
SUPPLEMENTARY INFORMATION	
NONMAJOR GOVERNMENTAL FUNDS	
Special Revenue Funds	80
Combining Balance Sheet - Non-Major Special Revenue Funds	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Special Revenue Funds	82
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Depositories and Temporary Investments	84 - 85
Schedule of Changes in Assets and Liabilities	86

STATE OF NEW MEXICO
CITY OF JAL
FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS (CONTINUED)

Schedule of Expenditures of Federal Awards	87
Notes to the Expenditures of Federal Awards	88
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	90 - 92
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance - Independent Auditors' Report	93 - 95
Summary of Audit Results	96
Schedule of Findings and Questioned Costs	97 - 107
Corrective Action Plan	108 -109
Entrance and Exit Conference	110

STATE OF NEW MEXICO
CITY OF JAL
OFFICIAL ROSTER
JUNE 30, 2019

ELECTED OFFICIALS

Stephen Aldridge	Mayor
Amelia Trevino	Mayor Pro-Tem
Lorenzo Chacon	City Councilor
Jim Ellison	City Councilor
Rene Cervantes	City Councilor
Mike Orr	City Councilor
Melody Beckham	City Councilor

ADMINISTRATIVE OFFICIALS

Matt White	City Manager
Desiree Lopez	City Treasurer
Molly Sanchez	City Clerk

INDEPENDENT AUDITORS' REPORT

Brian S. Colón
New Mexico 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 and major special revenue funds of the City of Jal, New Mexico as of and for the year ended June 30, 2019, 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, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

During the testing for construction in progress (CIP), it was noted that \$2,140,374 was not included in the schedule of capital assets in fiscal year 2016 and was not capitalized. This resulted in a restatement in the FYE 2017 totaling \$2,140,373. In fiscal years 2018 and 2019, the schedule of capital assets was still not updated to include the corrected CIP balance. As a result, the capital assets did not rollforward in fiscal year 2019. Additionally, this resulted in inaccurate depreciation expenses as some of the CIP projects were completed and transferred during the year. Capital Assets schedule provided by the City (prepared by third party) is not updated as we identified multiple errors in the schedule of fixed assets for fiscal year 2019. Multiple assets purchased in prior years were added in the schedule of fixed assets for fiscal year 2019, however these assets were missing from schedules provided in prior years. Consequently, we could not accurately rollforward capital assets to fiscal year 2019.

Total cash amount reported in the DFA report is not in agreement with either the bank reconciliation or the cash general ledger. The cash amounts reported in the DFA report and bank reconciliations are \$7,798,543 and \$4,535,959 respectively. The general ledger cash balance totaled \$5,076,472.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the pension schedules on pages 71 - 75 and the other post employment benefit schedules on page 76 - 78 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, schedule of depositories, schedule of pledged collateral and any other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other scheduled required by Section 2.2.2 NMAC 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, except for the effects on the supplementary information due to cash balances and capital assets as detailed in the basis for qualification paragraph of the audit report, the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Supporting Schedules on pages 87 through 88 required by 2.2.2 NMAC are presented for purposes of additional analysis and are also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Supporting Schedules on pages 87 through 88 required by Section 2.2.2 NMAC and any other schedules required by the Audit Rule 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 Schedule of Expenditures of Federal Awards and Supporting Schedules on pages 85 through 88 required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020, 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
March 16, 2020

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 5,193,388	\$ 338,270	\$ 5,531,658
Investments	3,018,894	-	3,018,894
Accounts receivable	47,364	173,147	220,511
Taxes receivable	1,566,624	24,016	1,590,640
Intergovernmental receivable	195	-	195
Due from business-type funds	<u>203,337</u>	<u>-</u>	<u>203,337</u>
Total current assets	10,029,802	535,433	10,565,235
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	4,653,332	116,871	4,770,203
Capital assets, net	<u>4,680,188</u>	<u>5,888,985</u>	<u>10,569,173</u>
Total non-current assets	<u>9,333,520</u>	<u>6,005,856</u>	<u>15,339,376</u>
Total assets	19,363,322	6,541,289	25,904,611
DEFERRED OUTFLOWS:			
Deferred outflows - Pension	537,002	53,110	590,112
Deferred outflows - OPEB	<u>73,277</u>	<u>8,606</u>	<u>81,883</u>
Total deferred outflows	<u>610,279</u>	<u>61,716</u>	<u>671,995</u>
Total assets and deferred outflows	<u>\$ 19,973,601</u>	<u>\$ 6,603,005</u>	<u>\$ 26,576,606</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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 383,290	\$ 174,978	\$ 558,268
Accrued interest	989	70,598	71,587
Accrued salaries	67,989	5,404	73,393
Unapplied deposits	-	118,454	118,454
Due to other funds	-	203,337	203,337
Current portion of capital leases	-	23,133	23,133
Current portion of compensated absences	8,306	3,260	11,566
Current portion of long-term debt	<u>253,441</u>	<u>49,469</u>	<u>302,910</u>
Total current liabilities	714,015	648,633	1,362,648
NON-CURRENT LIABILITIES:			
Compensated absences	22,655	3,945	26,600
Net pension liability	1,654,144	163,597	1,817,741
Net OPEB Liability	912,809	136,014	1,048,823
Capital leases	-	32,123	32,123
Long-term debt, less current maturities	<u>4,463,452</u>	<u>6,480,531</u>	<u>10,943,983</u>
Total non-current liabilities	<u>7,053,060</u>	<u>6,816,210</u>	<u>13,869,270</u>
Total liabilities	7,767,075	7,464,843	15,231,918
DEFERRED INFLOWS:			
Deferred inflows - Pension	125,182	12,380	137,562
Deferred inflows - OPEB	<u>237,134</u>	<u>33,863</u>	<u>270,997</u>
Total deferred inflows	<u>362,316</u>	<u>46,243</u>	<u>408,559</u>
Total liabilities and deferred inflows	8,129,391	7,511,086	15,640,477
NET POSITION			
Net investment in capital assets	(36,705)	(641,015)	(677,720)
Restricted for:			
Special revenue funds	6,070,921	-	6,070,921
Unrestricted	<u>5,809,994</u>	<u>(267,066)</u>	<u>5,542,928</u>
Total net position	<u>11,844,210</u>	<u>(908,081)</u>	<u>10,936,129</u>
Total liabilities, deferred inflows, and net position	<u>\$ 19,973,601</u>	<u>\$ 6,603,005</u>	<u>\$ 26,576,606</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, 2019

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	\$ 1,925,393	\$ -	\$ 202,500	\$ -	\$ (1,722,893)	\$ -	\$ (1,722,893)
Public safety	1,749,511	106,854	279,780	-	(1,362,877)	-	(1,362,877)
Public works	202,311	9,790	-	522,000	329,479	-	329,479
Culture and recreation	485,138	30,784	22,245	-	(432,109)	-	(432,109)
Health and welfare	1,227,638	-	-	-	(1,227,638)	-	(1,227,638)
Interest on long-term debt	7,122	-	-	-	(7,122)	-	(7,122)
Total governmental activities	5,597,113	147,428	504,525	522,000	(4,423,160)	-	(4,423,160)
Business-type activities:							
Water and sewer	3,060,312	1,555,053	-	29,551	-	(1,475,708)	(1,475,708)
Solid waste	478,809	534,035	-	-	-	55,226	55,226
Total business-type activities	3,539,121	2,089,088	-	29,551	-	(1,420,482)	(1,420,482)
Total primary government	9,136,234	2,236,516	504,525	551,551	(4,423,160)	(1,420,482)	(5,843,642)
General Revenues:							
Gross receipts taxes					8,327,293	74,649	8,401,942
Franchise taxes					66,020	-	66,020
Property taxes					155,813	-	155,813
Gasoline taxes					207,742	-	207,742
MVD taxes					38,662	-	38,662
Licenses and fees					135,726	-	135,726
Miscellaneous revenue					297,488	18,751	316,239
Total general revenues and transfers					9,228,744	93,400	9,322,144
Changes in net position					4,805,584	(1,327,082)	3,478,502
Net position, beginning of year					7,038,626	419,001	7,457,627
Net position, end of year					\$ 11,844,210	\$ (908,081)	\$ 10,936,129

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, 2019

	General Fund	Youth and Aged	Municipal Streets	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,839,400	\$ 302,461	\$ 140,836	\$ 910,691	\$ 5,193,388
Restricted cash and cash equivalents	-	-	4,637,862	15,470	4,653,332
Investments	3,018,894	-	-	-	3,018,894
Accounts receivable	47,364	-	-	-	47,364
Taxes receivable	1,384,527	144,612	10,191	27,294	1,566,624
Intergovernmental receivable	195	-	-	-	195
Due from enterprise funds	203,337	-	-	-	203,337
Total assets	<u>\$ 8,493,717</u>	<u>\$ 447,073</u>	<u>\$ 4,788,889</u>	<u>\$ 953,455</u>	<u>\$ 14,683,134</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 264,794	\$ 117,759	\$ -	\$ 737	\$ 383,290
Accrued salaries	67,989	-	-	-	67,989
Total liabilities	332,783	117,759	-	737	451,279
Deferred Inflows:					
Property tax revenue	1,033	-	-	-	1,033
Total liabilities and deferred inflows	333,816	117,759	-	737	452,312
Fund balances:					
Restricted, reported in:					
Special revenue funds	-	329,314	4,788,889	952,718	6,070,921
Unassigned, reported in:					
General fund	8,159,901	-	-	-	8,159,901
Total fund balances	<u>8,159,901</u>	<u>329,314</u>	<u>4,788,889</u>	<u>952,718</u>	<u>14,230,822</u>
Total liabilities and fund balances	<u>\$ 8,493,717</u>	<u>\$ 447,073</u>	<u>\$ 4,788,889</u>	<u>\$ 953,455</u>	<u>\$ 14,683,134</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, 2019

Total fund balances - governmental funds \$ 14,230,822

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	8,240,923	
Accumulated depreciation	<u>(3,560,735)</u>	4,680,188
Deferred outflows - Pension		537,002
Deferred outflows - OPEB		73,277

Deferred inflows:

Deferred inflows - OPEB		(237,134)
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 - Pension		(125,182)

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

Property taxes		1,033
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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	(989)	
Net pension liability	(1,654,144)	
OPEB Liability	(912,809)	
Long-term debt	(4,716,893)	
Compensated absences	<u>(30,961)</u>	<u>(7,315,796)</u>

Total net position - governmental activities **\$ 11,844,210**

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, 2019

	General Fund	Youth and Aged	Municipal Streets	Other Gov. Funds	Total Gov Funds
REVENUES					
Taxes:					
Gross receipts	\$ 8,326,936	\$ -	\$ -	\$ 357	\$ 8,327,293
Franchise	66,020	-	-	-	66,020
Property	155,613	-	-	-	155,613
Gasoline and motor vehicle	38,662	-	207,742	-	246,404
Intergovernmental - state	90,000	10,409	-	274,021	374,430
Charges for services	80,114	30,784	-	36,530	147,428
Licenses, fees and permits	135,726	-	-	-	135,726
Federal operating grants	-	11,836	-	-	11,836
Other grants and contributions	112,500	-	-	527,759	640,259
Investment income (loss)	19,286	-	77,705	-	96,991
Other	131,909	68,388	-	200	200,497
Total revenues	<u>9,156,766</u>	<u>121,417</u>	<u>285,447</u>	<u>838,867</u>	<u>10,402,497</u>
EXPENDITURES					
Current:					
General government	1,530,671	-	-	3,926	1,534,597
Public safety	1,543,119	-	-	180,522	1,723,641
Public works	193,355	-	2,532	1,985	197,872
Culture and recreation	15,666	459,825	-	-	475,491
Health and welfare	1,163,971	-	-	63,667	1,227,638
Capital outlay	605,839	-	-	-	605,839
Debt service:					
Principal	-	-	-	48,158	48,158
Interest	392	-	-	6,730	7,122
Total expenditures	<u>5,053,013</u>	<u>459,825</u>	<u>2,532</u>	<u>304,988</u>	<u>5,820,358</u>
Excess (deficiency) of revenues over expenditures	<u>4,103,753</u>	<u>(338,408)</u>	<u>282,915</u>	<u>533,879</u>	<u>4,582,139</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	20,699	-	-	12,000	32,699
Transfers out	-	-	-	(32,699)	(32,699)
Loan proceeds	-	-	4,401,025	58,000	4,459,025
Total other financing source (uses)	<u>20,699</u>	<u>-</u>	<u>4,401,025</u>	<u>37,301</u>	<u>4,459,025</u>
Net change in fund balance	4,124,452	(338,408)	4,683,940	571,180	9,041,164
Fund balance at beginning of year	<u>4,035,449</u>	<u>667,722</u>	<u>104,949</u>	<u>381,538</u>	<u>5,189,658</u>
Fund balance at end of year	<u>\$ 8,159,901</u>	<u>\$ 329,314</u>	<u>\$ 4,788,889</u>	<u>\$ 952,718</u>	<u>\$ 14,230,822</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, 2019

Net change in fund balances - total governmental funds \$ 9,041,164

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	605,839	
Depreciation expense	(298,113)	307,726

Change in deferred outflows - NPL	91,283
Change in deferred outflows - OPEB	46,390

Change in deferred inflows - NPL	21,017
Change in deferred inflows - OPEB	(31,111)

Change in net pension liability	(261,892)
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Change in OPEB Liability	(7,599)
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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. 48,158

Governmental funds report new loans as cash receipts. However, in the statement of activities, these loans are not recognized as cash receipts. (4,459,025)

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. 200

Change in accrued interest - expenses that do not require current financial resources are not reported as expenditures. 446

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). 8,827

Change in net position of governmental activities **\$ 4,805,584**

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes:				
Gross receipts	\$ 4,803,808	\$ 6,793,387	\$ 8,090,093	\$ 1,296,706
Franchise	-	-	66,020	66,020
Oil and gas	-	-	38,662	38,662
Property	-	-	155,613	155,613
Intergovernmental	-	-	90,000	90,000
Charges for services	56,500	72,820	80,114	7,294
Licenses, fees and permits	123,750	133,911	135,726	1,815
Other grant and contributions	-	-	112,500	112,500
Interest	-	-	19,286	19,286
Other	6,000	483,971	131,909	(352,062)
	<u>4,990,058</u>	<u>7,484,089</u>	<u>8,919,923</u>	<u>1,435,834</u>
Total revenues				
EXPENDITURES:				
Current				
General government	1,607,645	1,919,487	1,413,601	505,886
Public safety	1,247,030	1,537,958	1,426,049	111,909
Public works	724,950	938,698	193,355	745,343
Culture and recreation	-	-	15,666	(15,666)
Health and welfare	140,800	180,000	1,163,971	(983,971)
Capital outlay	-	-	605,839	(605,839)
Debt service				
Other	-	-	392	(392)
	<u>3,720,425</u>	<u>4,576,143</u>	<u>4,818,873</u>	<u>(242,730)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	1,269,633	2,907,946	4,101,050	1,193,104
OTHER FINANCING SOURCES (USES)				
Transfers in	109,000	2,247,059	20,699	(2,226,360)
	<u>109,000</u>	<u>2,247,059</u>	<u>20,699</u>	<u>(2,226,360)</u>
Total other financing sources (uses)				
Net changes in fund balance	1,378,633	5,155,005	4,121,749	(1,033,256)
Fund balance - beginning of the year	4,035,449	4,035,449	4,035,449	-
Fund balance - end of the year	<u>\$ 5,414,082</u>	<u>\$ 9,190,454</u>	<u>\$ 8,157,198</u>	<u>\$ (1,033,256)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 4,121,749	
Net revenue accruals			236,843	
Net expenditure accruals			<u>(234,140)</u>	
Net change in fund balance GAAP basis			<u>\$ 4,124,452</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Charges for services	\$ -	\$ -	\$ 30,784	\$ 30,784
Other grants and contributions	51,750	89,999	68,388	(21,611)
Federal grants	-	-	11,836	11,836
State grants	-	-	10,409	10,409
	<u>51,750</u>	<u>89,999</u>	<u>121,417</u>	<u>31,418</u>
EXPENDITURES:				
Current				
Culture and recreation	<u>256,443</u>	<u>256,443</u>	<u>347,456</u>	<u>(91,013)</u>
	<u>256,443</u>	<u>256,443</u>	<u>347,456</u>	<u>(91,013)</u>
Excess (deficiency) of revenues over expenditures	<u>(204,693)</u>	<u>(166,444)</u>	<u>(226,039)</u>	<u>(59,595)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	(204,693)	(166,444)	(226,039)	(59,595)
Fund balance - beginning of the year	<u>667,722</u>	<u>667,722</u>	<u>667,722</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 463,029</u>	<u>\$ 501,278</u>	<u>\$ 441,683</u>	<u>\$ (59,595)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (226,039)	
Net expenditure accruals			<u>(112,369)</u>	
Net change in fund balance GAAP basis			<u>\$ (338,408)</u>	

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

STATE OF NEW MEXICO
CITY OF JAL
MUNICIPAL STREETS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State shared taxes	\$ 75,000	\$ -	\$ 196,887	\$ 196,887
Interest income	<u>-</u>	<u>-</u>	<u>77,705</u>	<u>77,705</u>
Total revenues	75,000	-	274,592	274,592
EXPENDITURES:				
Current				
Public works	<u>4,233,000</u>	<u>3,398</u>	<u>1,666</u>	<u>1,732</u>
Total expenditures	<u>4,233,000</u>	<u>3,398</u>	<u>1,666</u>	<u>1,732</u>
Excess (deficiency) of revenues over expenditures	(4,158,000)	(3,398)	272,926	276,324
OTHER FINANCING SOURCES				
Transfers out	-	-	-	-
Loan proceeds	<u>4,500,000</u>	<u>59,464</u>	<u>4,401,025</u>	<u>4,341,561</u>
Total other financing sources	<u>4,500,000</u>	<u>59,464</u>	<u>4,401,025</u>	<u>4,341,561</u>
Net changes in fund balance	342,000	56,066	4,673,951	4,617,885
Fund balance - beginning of the year	<u>104,949</u>	<u>104,949</u>	<u>104,949</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 446,949</u>	<u>\$ 161,015</u>	<u>\$ 4,778,900</u>	<u>\$ 4,617,885</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 4,673,951	
Net revenue accruals			10,855	
Net expenditure accruals			<u>(866)</u>	
Net change in fund balance GAAP basis			<u>\$ 4,683,940</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, 2019

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ -	\$ 338,270	\$ 338,270
Accounts receivable	119,162	53,985	173,147
Taxes receivable	15,653	8,363	24,016
Total current assets	134,815	400,618	535,433
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	116,871	-	116,871
Capital assets, net	5,832,985	56,000	5,888,985
Total non-current assets	5,949,856	56,000	6,005,856
Total assets	6,084,671	456,618	6,541,289
Deferred outflows			
Deferred outflows - Pension	53,110	-	53,110
Deferred outflows - OPEB	8,606	-	8,606
Total deferred outflows	61,716	-	61,716
Total assets and deferred outflows	\$ 6,146,387	\$ 456,618	\$ 6,603,005

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, 2019

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 134,750	\$ 40,228	\$ 174,978
Accrued interest	70,598	-	70,598
Accrued salaries	4,228	1,176	5,404
Meter deposits	118,454	-	118,454
Due to governmental funds	203,337	-	203,337
Compensated absences- current portion	3,260	-	3,260
Capital leases - current portion	23,133	-	23,133
Long-term debt - current portion	49,469	-	49,469
Total current liabilities	607,229	41,404	648,633
NON-CURRENT LIABILITIES:			
Compensated absences	3,945	-	3,945
Net pension liability	163,597	-	163,597
Net OPEB liability	136,014	-	136,014
Capital leases - long-term portion	32,123	-	32,123
Long-term debt - net of current portion	6,480,531	-	6,480,531
Total non-current liabilities	6,816,210	-	6,816,210
Total liabilities	7,423,439	41,404	7,464,843
Deferred inflows			
Deferred inflows - Pension	12,380	-	12,380
Deferred inflows - OPEB	33,863	-	33,863
Total deferred inflows	46,243	-	46,243
Total liabilities and deferred inflows	7,469,682	41,404	7,511,086
NET POSITION			
Net investment in capital assets	(697,015)	56,000	(641,015)
Unrestricted, undesignated	(626,280)	359,214	(267,066)
Total net position	(1,323,295)	415,214	(908,081)
Total liabilities, deferred inflows and net position	\$ 6,146,387	\$ 456,618	\$ 6,603,005

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, 2019

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Charges for services	<u>\$ 1,555,053</u>	<u>\$ 534,035</u>	<u>\$ 2,089,088</u>
Total operating revenues	1,555,053	534,035	2,089,088
OPERATING EXPENSES			
Salaries and wages	131,953	6,725	138,678
Employee benefits	305,806	2,366	308,172
Maintenance	168,308	3,021	171,329
Contracted and purchased services	1,541,989	466,697	2,008,686
Supplies	68,033	-	68,033
Utilities	83,918	-	83,918
Operating costs	15,649	-	15,649
Depreciation	<u>250,698</u>	<u>-</u>	<u>250,698</u>
Total operating expenses	<u>2,566,354</u>	<u>478,809</u>	<u>3,045,163</u>
Operating income (loss)	(1,011,301)	55,226	(956,075)
NON-OPERATING REVENUES (EXPENSES):			
Other miscellaneous	(7,718)	26,469	18,751
Gross receipts tax income	49,697	24,952	74,649
Gross receipts tax expense	(326,260)	-	(326,260)
Gain/loss on sale	29,551	-	29,551
Interest expense	<u>(167,698)</u>	<u>-</u>	<u>(167,698)</u>
Total non-operating revenues (expenses)	<u>(422,428)</u>	<u>51,421</u>	<u>(371,007)</u>
Change in net position	(1,433,729)	106,647	(1,327,082)
Net position, beginning of year	<u>110,434</u>	<u>308,567</u>	<u>419,001</u>
Net position, end of year	<u><u>\$(1,323,295)</u></u>	<u><u>\$ 415,214</u></u>	<u><u>\$ (908,081)</u></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, 2019

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from customers	\$ 1,542,421	\$ 520,090	\$ 2,062,511
Payments to employees for services	(479,737)	(474,612)	(954,349)
Payments to suppliers and contractors	<u>(2,008,802)</u>	<u>2,185</u>	<u>(2,006,617)</u>
Net cash provided by (used in) operating activities	(946,118)	47,663	(898,455)
Cash flows from non-capital activities and related financing activities:			
State shared taxes	(276,563)	25,629	(250,934)
Miscellaneous income	<u>21,833</u>	<u>26,469</u>	<u>48,302</u>
Net cash provided by (used in) non-capital activities and related financing activities:	(254,730)	52,098	(202,632)
Cash flows from capital activities and related financing activities:			
Interest expense	(103,888)	-	(103,888)
Change in capital assets	(1,768,643)	-	(1,768,643)
Principal payments on debt	<u>2,971,840</u>	<u>-</u>	<u>2,971,840</u>
Net cash used in capital activities and related financing activities:	<u>1,099,309</u>	<u>-</u>	<u>1,099,309</u>
Net increase (decrease) in cash and cash equivalents	(101,539)	99,761	(1,778)
Cash and cash equivalents - beginning	<u>218,410</u>	<u>238,509</u>	<u>456,919</u>
Cash and cash equivalents - ending	<u>\$ 116,871</u>	<u>\$ 338,270</u>	<u>\$ 455,141</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, 2019

	Water and Sewer Fund	Solid Waste Fund	Total Proprietary Funds
SUPPLEMENTARY INFORMATION:			
Cash and cash equivalents	\$ -	\$ 338,270	\$ 338,270
Restricted cash	<u>116,871</u>	<u>-</u>	<u>116,871</u>
 Total cash and cash equivalents	 <u>\$ 116,871</u>	 <u>\$ 338,270</u>	 <u>\$ 455,141</u>
 Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$(1,011,301)	\$ 55,226	\$ (956,075)
Adjustments to operating income to net cash used in operating activities:			
Depreciation	(134,572)	-	(134,572)
Changes in net position and liabilities:			
Accounts receivables	(24,462)	(13,945)	(38,407)
Other assets	8,905	-	8,905
Accounts payable	48,508	5,206	53,714
Accrued expenses	(804)	1,176	372
Compensated absences	2,520	-	2,520
Customer deposits	11,830	-	11,830
Other liabilities	<u>153,258</u>	<u>-</u>	<u>153,258</u>
 Net cash provided by (used in) operating activities	 <u>\$ (946,118)</u>	 <u>\$ 47,663</u>	 <u>\$ (898,455)</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, 2019

AGENCY FUNDS:

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

Motor Vehicle Fund

To account for the collection and disbursement of funds.

Municipal Court Fund

To account for the collection and disbursement of funds.

EMS Donations Fund

To account for the collection and disbursement of funds.

Payroll Cash Fund

To account for the collection and disbursement of funds.

STATE OF NEW MEXICO
CITY OF JAL
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ <u>8,987</u>
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Total assets	\$ <u>8,987</u>
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LIABILITIES

CURRENT LIABILITIES:

Due to other entities	\$ <u>8,987</u>
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Total liabilities	\$ <u>8,987</u>
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NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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). 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, 2019

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, 2019

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, 2019

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, 2019

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 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)

Municipal Streets accounts 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.

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, 2019

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, 2019.

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, 2019

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, 2019

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, 2019, 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, 2019

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, 2019

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, 2019

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 June 2017, GASB Statement No. 87, Leases, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The City is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City is still evaluating how this pronouncement will affect the financial statements.

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.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

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

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, 2019.

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, 2019, \$9,574,544 of the City's bank balances of was exposed to custodial credit risk. \$9,574,544 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's 84-85 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 102% for amounts invested in repurchase agreements with the institution.

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 84 disclose requirements on reporting the insured and uninsured portions of the City's deposits regarding custodial credit risk.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

New Mexico State Treasurer Local Government Investment Pool - The City maintains accounts with the New Mexico State Treasurer Local Government Investment Pool (LGIP), an external investment pool. The LGIP is not SEC registered, and as a government investment pool, exempt from disclosing concentration risk. The LGIP is rated AAAM by Standard and Poor's and has a weighted average maturity of 52 days.

Section 6-10-10. I, NMSA 1978 empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government.

The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares and earnings are distributed monthly by the State Treasurer to the participants in proportion to the amount and length of time the participants have funds on deposit. Participation in the LGIP is voluntary and can be liquidated by the City at the City council's discretion.

The City's balance in the LGIP account as of June 30, 2019 is \$3,018,894.

Investment Type	Maturity Date	Fair Value	Rating **
New Mexico LGIP**	Less than 1 year	\$3,018,894	AAAM

** LGIP, collateralized by State

Credit Risk LGIP – With respect to credit risk, the LGIP, is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Interest Rate Risk – GASB Statement No. 40 defines interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments.

According to the Statement an acceptable method for reporting interest rate risk is weighted average of maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at www.nmsto.gov

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

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

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

4. ACCOUNTS RECEIVABLE

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

<u>Taxes Receivables</u>	
Gross receipts taxes	\$ 1,564,567
Franchise	8,656
Property taxes	5,978
Gas	10,191
MVD	1,248
	<u>\$ 1,590,640</u>

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

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible's</u>	<u>Total</u>
Municipal Courts	\$ 244,689	\$ (227,516)	\$ 17,173
Ambulance	<u>35,984</u>	<u>(5,793)</u>	<u>30,191</u>
	<u>\$ 280,673</u>	<u>\$ (233,309)</u>	<u>\$ 47,364</u>

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year deferred inflows which related to delinquent property taxes was \$1,033.

Accounts receivable reported in the business-type activities at June 30, 2019 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, 2019:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Total</u>
Water and sewer	\$ 147,497	\$ (28,335)	\$ 119,162
Solid waste	<u>65,269</u>	<u>(11,284)</u>	<u>53,985</u>
	<u>\$ 212,766</u>	<u>\$ (39,619)</u>	<u>\$ 173,147</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers reflect a transfer of cash due to needs within the fund. The City had transfers in the amount of \$32,699 in the year ended June 30, 2019.

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019, 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, 2018	Additions	Retirements and Transfers	Balance June 30, 2019
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 44,589	\$ -	\$ -	\$ 44,589
CIP	-	-	-	-
Total	44,589	-	-	44,589
Other capital assets being depreciated:				
Buildings and Improvements	2,502,593	-	-	2,502,593
Equipment	3,226,847	605,839	(11,246)	3,821,440
Infrastructure	1,872,301	-	-	1,872,301
Total	7,601,741	605,839	(11,246)	8,196,334
Total capital assets	7,646,330	605,839	(11,246)	8,240,923
Less accumulated depreciation for:				
Buildings and Improvements	1,121,923	15,964	-	1,137,887
Equipment	2,106,713	277,132	(11,246)	2,372,599
Infrastructure	45,232	5,017	-	50,249
Total accumulated depreciation	3,273,868	298,113	(11,246)	3,560,735
Governmental capital assets, net	<u>\$ 4,372,462</u>	<u>\$ 307,726</u>	<u>\$ -</u>	<u>\$ 4,680,188</u>

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

General government	\$ 258,157
Public safety	25,870
Public works	4,439
Culture and recreation	<u>9,647</u>
Total	<u>\$ 298,113</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

6. CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2018	Additions	Retirements and Transfers	Balance June 30, 2019
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 24,330	\$ -	\$ -	\$ 24,330
Construction in progress	<u>3,221,991</u>	<u>1,913,180</u>	<u>-</u>	<u>5,135,171</u>
Total	3,246,321	1,913,180	-	5,159,501
Capital assets being depreciated:				
Buildings and Improvements	676,388	-	(213,480)	462,908
Equipment	436,004	-	(142,239)	293,765
Infrastructure	<u>21,108,285</u>	<u>211,180</u>	<u>-</u>	<u>21,319,465</u>
Total	<u>22,220,677</u>	<u>211,180</u>	<u>(355,719)</u>	<u>22,076,138</u>
Total capital assets	25,466,998	2,124,360	(355,719)	27,235,639
Less accumulated depreciation:				
Buildings and Improvements	581,670	12,304	(392,302)	201,672
Equipment	165,122	66,357	7,030	238,509
Infrastructure	<u>20,734,436</u>	<u>172,037</u>	<u>-</u>	<u>20,906,473</u>
Total accumulated depreciation	<u>21,481,228</u>	<u>250,698</u>	<u>(385,272)</u>	<u>21,346,654</u>
Business-type capital assets, net	<u>\$ 3,985,770</u>	<u>\$ 1,873,662</u>	<u>\$ 29,553</u>	<u>\$ 5,888,985</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2019 was \$250,698.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

7. LONG-TERM DEBT

A summary of changes in long-term debt, including capital lease obligations for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental Activities:				
NMFA Loans	\$ 306,026	\$ 4,459,025	\$ (48,158)	\$ 4,716,893
Compensated Absences	<u>39,788</u>	<u>1,510</u>	<u>(10,337)</u>	<u>30,961</u>
Total Governmental Debt	<u>\$ 345,814</u>	<u>\$ 4,460,535</u>	<u>\$ (58,495)</u>	<u>\$ 4,747,854</u>

	Balance June 30, 2018,	Additions	Reductions	Balance June 30, 2019
Business-Type Activities:				
Capital Leases	\$ 391,427	\$ -	\$ (336,171)	\$ 55,256
CO - Bank	3,221,989	-	(3,221,989)	-
USDA- Water	-	6,284,000	-	6,284,000
USDA- Sewer	-	246,000	-	246,000
Compensated Absences	<u>4,685</u>	<u>5,780</u>	<u>(3,260)</u>	<u>7,205</u>
Total Business-Type Debt	<u>\$ 3,618,101</u>	<u>\$ 6,535,780</u>	<u>\$ (3,561,420)</u>	<u>\$ 6,592,461</u>

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

Year Ended June 30,	Governmental			Business-Type		
	Principal	Interest	Total	Principal	Interest	Total
2020	253,441	167,552	420,993	72,602	58,583	131,185
2021	216,332	120,107	336,439	119,217	177,850	297,067
2022	220,144	116,110	336,254	107,384	173,915	281,299
2023	224,142	111,963	336,105	93,491	157,748	251,239
2024	274,847	60,236	335,083	104,337	168,756	273,093
2025-2028	<u>3,527,987</u>	<u>954,791</u>	<u>4,482,778</u>	<u>6,088,225</u>	<u>3,355,706</u>	<u>9,443,931</u>
Total	<u>\$ 4,716,893</u>	<u>\$ 1,530,759</u>	<u>\$ 6,247,652</u>	<u>\$ 6,585,256</u>	<u>\$ 4,092,558</u>	<u>\$ 10,677,814</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 26,385	Fire truck
NMFA - #2	1.73%	Monthly	\$ 3,240	June 2024	35,589	Fire truck
NMFA - #3	.25%	Monthly	\$ 2,987	June 2040	-	Lake conservation Street
NMFA - #4	3.08%	Monthly	\$ 296,016	Sept 2038	<u>191,467</u>	improvements
					<u>\$ 253,441</u>	

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Purpose
Business-Type Activities:						
Capital Leases:						
Capital Lease	5.89%	Monthly	\$ 6,518	April 2022	<u>\$ 23,133</u>	Water Meters
Total Capital Leases					<u>\$ 23,133</u>	
Long Term Debt:						
RCAC loan	5.00%	At maturity	\$ -	July 2017	-	Water System Project
USDA- Water	2.75%	Monthly	\$ -	Feb 2059	44,418	
USDA- Sewer	2.75%	Monthly	\$ 903	Nov 2054	<u>5,051</u>	
Total long term debt					<u>\$ 49,469</u>	
Total capital leases and long term debt					<u>\$ 72,602</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, 2019

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, 2019 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, 2019

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.

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.

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, 2018 available at: <http://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, 2019

10. PERA PENSION PLAN (CONTINUED)

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 FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on the PERA FY18 annual audit report.

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 \$144,375 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2019.

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, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018.

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, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 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, 2019

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, 2019, the City reported the following liability:

Municipal General Division	\$ 1,302,601
Municipal Police Division	<u>515,140</u>
Total Net Pension Liability	<u>\$ 1,817,741</u>

The amounts are the proportionate share of the net pension liability. At June 30, 2018, the City's proportion noted below was unchanged from its proportion measured as of June 30, 2018, due to the insignificance of the difference.

For the year ended June 30, 2019, the City recognized the following pension expense:

Municipal General Division	\$ 167,163
Municipal Police Division	<u>81,522</u>
Total pension expense	<u>\$ 248,685</u>

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

10. PERA PENSION PLAN (CONTINUED)

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows or resources related to pensions for Municipal General Division from the following sources:

	Deferred Outflows of Resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 37,648	\$ 34,200
Changes in assumptions	118,099	7,489
Net difference between projected and actual earnings on pension plan investments	96,607	-
Changes in proportion and differences between City of Jal contributions and proportionate share of contributions	38,558	25,666
City of Jal contributions subsequent to the measurement date	97,047	-
Total	\$ 387,959	\$ 67,355

At June 30, 2019, 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	\$ 25,219	\$ 51,064
Changes in assumptions	58,778	3,149
Net difference between projected and actual earnings on pension plan investments	35,449	-
Changes in proportion and differences between City of Jal contributions and proportionate share of contributions	35,379	15,994
City of Jal contributions subsequent to the measurement date	47,328	-
Total	\$ 202,153	\$ 70,207

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

10. PERA PENSION PLAN (CONTINUED)

	<u>Liability Proportion</u>
Municipal General Division	0.0817%
Municipal Police Division	0.0755%

In June 30, 2019 \$144,375, 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:

		<u>Municipal General Division</u>		<u>Municipal Police Division</u>
Year Ended June 30:				
	2020	\$ 154,154	\$	60,442
	2021	\$ 60,202	\$	15,676
	2022	\$ 4,437	\$	6,702
	2023	\$ 4,764	\$	1,798
	2024	\$ -	\$	-

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, 2017 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, 2018 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year smoothed market value
Actuarial assumptions:	
-Investment rate of return	7.25% 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, 2019

10. PERA PENSION PLAN (CONTINUED)

-Projected benefit payment	100 years
-Payroll growth	3.00% annual rate
-Projected salary increases	3.00% to 13.5% annual rate
Includes inflation at	2.50% annual rate
-Mortality assumption	Assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
-Experience study dates	experience study for the five-year period ending June 30, 2017

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
Global Equity	43.5 %	7.39 %
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.0</u>	7.35
Total	100.0 %	

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

10. PERA PENSION PLAN (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 7.25 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 GASB 67. Therefore, the 7.25 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current 7.25%	1% Increase 8.25%
City's Proportionate share of the Net Pension Liability			
Municipal General Division	\$ 2,007,220	\$ 1,302,601	\$ 720,120
Municipal Police Division	792,074	515,140	289,374
TOTAL	\$ 2,799,294	\$ 1,817,741	\$ 1,009,494

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 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, 2019.

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 postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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 that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 195,811
Changes of proportion	53,250	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Difference between expected and actual experience	-	62,097
Actual investment Earnings on OPEB investment plan	-	13,089
Contributions made after the measurement date	28,633	-
	\$ 81,883	\$ 270,997

Deferred outflows of resources totaling \$28,633 represent City contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending				
2020	\$	(57,572)		
2021		(57,572)		
2022		(57,572)		
2023		(41,891)		
2024		(3,140)		
		(217,747)		

The City's contributions to the RHCA for the years ended June 30, 2019, 2018, and 2017 were \$28,633, \$20,603 and \$30,795, respectively which equal the required contributions for each year.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of Investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

Assets Class	Long-Term Rate of Return
U.S. core of fixed income	2.1%
U.S equity - large cap	7.10%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate – The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
City of Jal's proportionate share of the net OPEB liability	\$ <u>1,269,323</u>	\$ <u>1,048,823</u>	\$ <u>875,020</u>

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
City of Jal's proportionate share of the net OPEB liability	\$ <u>886,623</u>	\$ <u>1,048,823</u>	\$ <u>1,175,992</u>

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability – At June 30, 2019, the City reported a payable of \$0 for outstanding contributions due to NMRHCA.

12. COMMITMENTS AND CONTINGENCIES

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

The City has several capital projects in progress at various states of completion. The majority of these capital projects are being funded by reimbursement type grants, which require the City to incur the expenditure then submit a request for

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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, 2019

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, 2019

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, 2019

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

Lea County

Participants		City of Jal Lea County
Responsible party		Lea County
Description		To assist the City with the costs of trash disposal.
Term of agreement	Beginning	07/01/2018
	Ending	06/30/2019
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, 2019

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	07/01/2018 06/30/2019
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, 2019

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 Ending	07/01/2018 06/30/2019
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, 2019

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	07/01/2018 06/30/2019
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, 2019

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 16, 2020 the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 outbreak, economic uncertainties have arisen which are likely to impact the City. To date, the financial impacts are unknown and currently not estimable.

15. 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.

16. 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.

17. NET POSITION

The government-wide statement of net position reports \$6,070,921 of restricted net position, all of which is restricted by enabling legislation.

The debt associated with capital assets found in the financial statements exceeds the net book value of the capital assets. The capital asset value is not accurate; consequently, the net investment in capital assets is not fairly reported.

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

18. 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, 2019:

Water and Sewer Fund	\$ 1,323,295
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B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2019:

General Fund	\$ 242,730
Cemetery Fund	65
Law Enforcement Fund	21,800
State Fire Fund	113,053
Environmental Fund	63,667
Intergovernmental Grants Fund	1,985
Youth and Aged	91,013
Solid Waste Fund	<u>6,380</u>
Total Expense	540,693
Intergovernmental Grants Fund	<u>32,699</u>
Total Transfers	\$ 32,699

19. TAX ABATEMENTS

There are no tax abatements to report under GASB 77

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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
The City of Jal's proportion of the net pension liability	\$ 599,122	\$ 769,788	\$ 1,268,545	\$ 1,159,727	\$ 1,302,601
The City of Jal's proportionate share of the net pension liability	0.0755%	0.0755%	0.0794%	0.0844%	0.0817%
The City of Jal's covered-employee payroll	\$ 399,818	\$ 577,050	\$ 759,449	\$ 775,462	\$ 966,108
The City of Jal's proportionate share of the net pension liability as a percentage of its covered-employee payroll	149.85 %	133.40 %	167.03 %	149.55 %	134.83 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

*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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 45,035	\$ 59,078	\$ 64,933	\$ 70,811	\$ 65,811
Contributions in relation to the contractually required contribution	<u>45,035</u>	<u>59,078</u>	<u>64,933</u>	<u>70,811</u>	<u>65,811</u>
Contribution deficiency (excess)	-	-	-	-	-
The City of Jal's covered-employee payroll	<u>\$ 399,818</u>	<u>\$ 577,050</u>	<u>\$ 759,449</u>	<u>\$ 775,462</u>	<u>\$ 966,108</u>
Contributions as a percentage of covered-employee payroll	<u>11.26 %</u>	<u>10.24 %</u>	<u>8.55 %</u>	<u>9.13 %</u>	<u>6.81 %</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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
The City of Jal's proportion of the net pension liability	\$ 177,990	\$ 298,131	\$ 518,694	\$ 440,563	\$ 515,140
The City of Jal's proportionate share of the net pension liability	0.0620 %	0.0620 %	0.0703 %	0.0793 %	0.0755 %
The City of Jal's covered-employee payroll	\$ 436,140	\$ 482,545	\$ 332,158	\$ 330,660	\$ 471,151
The City of Jal's proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.81 %	61.78 %	156.16 %	133.24 %	109.34 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

*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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 37,665	\$ 41,609	\$ 26,435	\$ 30,895	\$ 30,158
Contributions in relation to the contractually required contribution	<u>37,665</u>	<u>41,609</u>	<u>26,435</u>	<u>30,895</u>	<u>30,158</u>
Contribution deficiency (excess)	-	-	-	-	-
The City of Jal's covered-employee payroll	<u>\$ 436,140</u>	<u>\$ 482,545</u>	<u>\$ 332,158</u>	<u>\$ 330,660</u>	<u>\$ 471,151</u>
Contributions as a percentage of covered-employee payroll	<u>8.64 %</u>	<u>8.62 %</u>	<u>7.96 %</u>	<u>9.34 %</u>	<u>6.40 %</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
PERA NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2019

Changes of benefit terms - The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.pdf>

Changes in assumptions - *The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2018-PERA-Valuation-Report-FINAL.pdf>*

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF PROPORTIONATE SHARE OF THE OPEB LIABILITY
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2019

	Measurement Date As of and for the Year Ended June 30, 2018	Measurement Date As of and for the Year Ended June 30, 2019
The City of Jal's proportion of the net OPEB liability	0.0230 %	0.0241 %
The City of Jal's proportionate share of the net OPEB liability	\$ 1,040,472	\$ 1,048,823
The City of Jals' covered-employee payroll	\$ 956,433	\$ 1,034,897
The City of Jals' proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79 %	101.35 %
Plan fiduciary net position as a percentage of the total OPEB liability	11.34 %	13.14 %

*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 - OPEB
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2019

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2019
Contractually required contribution	\$ 72,909	\$ 37,692
Contributions in relation to the contractually required contribution	<u>(36,592)</u>	<u>(37,231)</u>
Contribution deficiency (excess)	<u>36,317</u>	<u>461</u>
The City of Jal's covered-employee payroll	<u>\$ 956,433</u>	<u>\$ 1,034,897</u>
Contributions as a percentage of covered-employee payroll	3.83 %	3.60 %

* 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
OPEB NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes of benefit terms - In 2019 no benefit changes to those in place. Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available. New Mexico Retiree Health Care Authority audited comprehensive annual financial report is available at the following web address: www.nmrhca.state.nm.us

Changes in assumptions - The OPEB salary scale, inflation, and payroll assumptions were updated to reflect assumptions used in the OPEB June 30, 2018 retire health care fund valuation. Per capita costs, future trend for health costs, and medical election assumptions were updated.

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.

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.

Intergovernmental Grants

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.

STATE OF NEW MEXICO
CITY OF JAL
COMBINING BALANCE SHEET
SPECIAL REVENUE
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	EMS	Cemetery	Corrections	Law Enforcement	State Fire	Environmental	Intergov Grants	Total Nonmajor Funds
ASSETS								
Cash and cash equivalents	\$ 7,907	\$ 30,689	\$ 109,761	\$ 1,200	\$ 135,433	\$ 45,701	\$ 580,000	\$ 910,691
Restricted cash and cash equivalents	-	-	-	-	15,470	-	-	15,470
Taxes receivables	-	-	-	-	-	27,294	-	27,294
Total assets	<u>\$ 7,907</u>	<u>\$ 30,689</u>	<u>\$ 109,761</u>	<u>\$ 1,200</u>	<u>\$ 150,903</u>	<u>\$ 72,995</u>	<u>\$ 580,000</u>	<u>\$ 953,455</u>
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ -	\$ 66	\$ 56	\$ -	\$ 615	\$ -	\$ -	\$ 737
Total liabilities	-	66	56	-	615	-	-	737
Fund balances:								
Restricted, reported in: Special revenue funds	<u>7,907</u>	<u>30,623</u>	<u>109,705</u>	<u>1,200</u>	<u>150,288</u>	<u>72,995</u>	<u>580,000</u>	<u>952,718</u>
Total fund balances	<u>7,907</u>	<u>30,623</u>	<u>109,705</u>	<u>1,200</u>	<u>150,288</u>	<u>72,995</u>	<u>580,000</u>	<u>952,718</u>
Total liabilities and fund balances	<u>\$ 7,907</u>	<u>\$ 30,689</u>	<u>\$ 109,761</u>	<u>\$ 1,200</u>	<u>\$ 150,903</u>	<u>\$ 72,995</u>	<u>\$ 580,000</u>	<u>\$ 953,455</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, 2019

	<u>EMS</u>	<u>Cemetery</u>	<u>Corrections</u>	<u>Law Enforcement</u>	<u>State Fire</u>	<u>Environmental</u>	<u>Intergov Grants</u>	<u>Total Nonmajor</u>
Revenues:								
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 357	\$ -	\$ 357
Gasoline tax	-	-	-	-	-	-	-	-
Intergovernmental - state	-	-	-	23,000	251,021	-	-	274,021
Charges for services	-	9,790	26,740	-	-	-	-	36,530
Other grants and contributions	5,759	-	-	-	-	-	522,000	527,759
Other	-	200	-	-	-	-	-	200
Total revenues	5,759	9,990	26,740	23,000	251,021	357	522,000	838,867
Expenditures:								
General government	-	3,926	-	-	-	-	-	3,926
Public safety	409	-	21,594	23,000	135,519	-	-	180,522
Public works	-	-	-	-	-	-	1,985	1,985
Health and welfare	-	-	-	-	-	63,667	-	63,667
Debt service								
Principal	-	-	-	-	48,158	-	-	48,158
Interest	-	-	-	-	6,730	-	-	6,730
Total expenditures	409	3,926	21,594	23,000	190,407	63,667	1,985	304,988
Excess (deficit) of revenues over expenditures	5,350	6,064	5,146	-	60,614	(63,310)	520,015	533,879
Other financing sources:								
Loan proceeds	-	-	-	-	-	-	58,000	58,000
Transfer in	-	12,000	-	-	-	-	-	12,000
Transfers out	-	-	-	-	-	-	(32,699)	(32,699)
Total other financing sources	-	12,000	-	-	-	-	25,301	37,301
Net change in fund balances	5,350	18,064	5,146	-	60,614	(63,310)	545,316	571,180
Fund balance - beginning of year	2,557	12,559	104,559	1,200	89,674	136,305	34,684	381,538
Fund balance - end of year	\$ 7,907	\$ 30,623	\$ 109,705	\$ 1,200	\$ 150,288	\$ 72,995	\$ 580,000	\$ 952,718

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2019

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
Wells Fargo				
Operating	Checking	\$ 4,590,618	\$ 485,854	\$ 5,076,472
USDA	Checking	12	-	12
MVD	Checking	<u>582</u>	<u>-</u>	<u>582</u>
Total Checking		4,591,212	485,854	5,077,066
LGIP	Investment pool	<u>3,018,894</u>	<u>-</u>	<u>3,018,894</u>
Total deposits		<u>7,610,106</u>	<u>\$ 485,854</u>	8,095,960
Petty Cash				450
Restricted Cash				
NMFA		<u>5,233,332</u>		<u>5,233,332</u>
Total cash and cash equivalents		12,843,438		<u>\$ 13,329,742</u>
Less FDIC Coverage		250,000		
Less LGIP Coverage		3,018,894		
Less NMFA Coverage		<u>5,233,332</u>		
Total uninsured public funds		<u>9,574,544</u>		
50% collateral requirements		4,787,272		
Pledge securities		<u>(5,200,808)</u>		
Over/(under) collateralized		<u>\$ 413,536</u>		

Reconciliation of Public Funds to Government-Wide Balance Sheet:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents - Unrestricted	\$ 5,193,388	\$ 338,270	\$ 5,531,658
Cash and cash equivalents - Restricted	4,653,332	116,871	4,770,203
Investments - Unrestricted	<u>3,018,894</u>	<u>-</u>	<u>3,018,894</u>
Total Government-Wide	<u>\$ 12,865,614</u>	<u>\$ 455,141</u>	<u>\$ 13,320,755</u>
Cash Source:			
Wells Fargo Bank - City of Jal			\$ 8,086,973
Wells Fargo Bank - Agency			<u>8,987</u>
Total Wells Fargo deposits			8,095,960
NMFA held cash			5,233,332
Petty Cash			<u>450</u>
TOTAL CASH			<u>\$ 13,329,742</u>

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2019

Description of Pledged Collateral	Fair Market Value Amount	Name and Location
Wells Fargo Bank		
FNMA FNMS 3.000%, CUSIP#3138MOCP3, Maturing 09/01/2042	\$ 417,022	Bank of New York Mellon, New York City
FNMA FNMS 3.000%, CUSIP#3138WHUP5, Maturing 08/01/2036	3,927,528	Bank of New York Mellon, New York City
FNMA FNMS 3.500%, CUSIP#3140GUQS9, Maturing 07/01/2047	<u>856,258</u>	Bank of New York Mellon, New York City
Total pledged securities	<u>\$ 5,200,808</u>	

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2019

	Motor Vehicle	Municipal Court	EMS Donations	Payroll Cash	Total Agency Funds
Beginning Cash	\$ -	\$ 10,088	\$ -	\$ -	\$ 10,088
Additions	-	11,954	-	-	11,954
Deletions	-	(13,055)	-	-	(13,055)
Ending Cash	\$ -	\$ 8,987	\$ -	\$ -	\$ 8,987
Beginning Liabilities	\$ -	\$ 10,088	\$ -	\$ -	10,088
Additions	-	11,954	-	-	11,954
Deletions	-	(13,055)	-	-	(13,055)
Ending Liabilities	\$ -	\$ 8,987	\$ -	\$ -	\$ 8,987

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Program Title	Federal CFDA Number	State ID Number	Federal Program Expenses
<u>U.S. Department of Agriculture</u>			
Water and Waste Water Program Cluster - Cluster Water and Waste Disposal Systems for Rural Communities*	10.760	None	\$ <u>4,345,815</u>
Total U.S. Department of Agriculture			<u>4,345,815</u>
Total Federal Financial Assistance			\$ <u>4,345,815</u>

* Indicates a major program

STATE OF NEW MEXICO
CITY OF JAL
NOTES TO THE EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jal for the year ended June 30, 2019 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule only presents a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City of Jal.

2 NON-CASH ASSISTANCE

The City did not receive non-cash federal assistance for the year ended June 30, 2019.

3 SUB RECIPIENTS

The City provided no federal awards to sub recipients for the year ended June 30, 2019.

4 COST RATE

The City did not use the 10% de minimis cost rate for the current year.

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**

Brian S. Colón
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, 2019 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 March 16, 2020. In fiscal year 2018, the schedule of fixed assets was not updated to include the corrected Construction in Progress (CIP) balance. As a result, the capital assets did not rollforward in fiscal year 2018. Additionally, there were variances in cash balance between DFA report, bank reconciliation and the cash general ledger. Consequently, our report qualifies an opinion on such financial statements as presented in the City of Jal's financial statements as of and for the year ended June 30, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2019-001 (2009-007), 2019-002 (2016-001) and 2019-004 (2017-003).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. 2019-007(2018-001), 2019-008 (2018-002), 2019-009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jal, New Mexico's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance, or other matter, that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2019-003 (2017-002), 2019-005 (2017-007) and 2019-006 (2017-009).

City of Jal, New Mexico's Response to Findings

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

Purpose of this Report

The purpose of this report solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provided an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

March 16, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Brian S. Colón
New Mexico State Auditor
and the Council Members
City of Jal
Jal, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Jal, New Mexico's compliance with the types of compliance requirements described in the Uniform Grant Guidance that could have a direct and material effect on each of the City of Jal, New Mexico's major federal programs for the year ended June 30, 2019. City of Jal, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Jal's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jal, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on CFDA 10.760 Water and Waste System - Rural Communities

During the testing for construction in progress (CIP), it was noted that \$2,140,374 was not included in the schedule of capital assets in fiscal year 2016 and was not capitalized. This resulted in a restatement in the FYE 2017 totaling \$2,140,373. In fiscal years 2018 and 2019, the schedule of capital assets was still not updated to include the correct CIP balances. Of the CIP balance, \$1,913,180 in the current year is related to federally funded water infrastructure improvements for water and waste systems.

Opinion on Each Major Federal Program

In our opinion, with the exception of the effects of capital assets detailed in the "Basis for Qualified Opinion" paragraph of the auditors report, City of Jal complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclose no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

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

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

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

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

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
March 16, 2020

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Type of auditors' report issued: Qualified

Internal control over major programs

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

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

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance Yes X No

Identification of Major Programs:

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

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee Yes X No

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Section II - Findings

Federal Awards:

2019-004 (2017-003)	Capital Assets - CIP (Material Weakness)	Repeated and Modified
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Financial Statements:

PRIOR YEAR FINDINGS

2019-001 (2009-007)	Expenditures in Excess of Budget (Material Weakness)	Repeated and Modified
2019-002 (2016-001)	Cash Management (Material Weakness)	Repeated and Modified
2019-003 (2017-002)	Internal Control - Itemized Receipt (Other Non-Compliance)	Repeated and Modified
2019-004 (2017-003)	Capital Assets - CIP (Material Weakness)	Repeated and Modified
2017-006	Anti - Donation (Other Non-Compliance)	Resolved
2019-005 (2017-007)	Late Audit Submission (Other Non-Compliance)	Repeated and Modified
2019-006 (2017-009)	Inconsistencies in Schedule of Capital Assets (Material Non-Compliance)	Repeated and Modified
2019-007 (2018-001)	Adjusting Journal Entries (Significant Deficiency)	Repeated and Modified
2019-008 (2018-002)	Outstanding Deposits and Checks (Significant Deficiency)	Repeated and Modified
2018-003	Lack of Supporting Documents for Procurement Testing (Significant Deficiency)	Resolved

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

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

CURRENT YEAR FINDINGS

2019-009	Payroll (Significant Deficiency)	New
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STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Expenditures in Excess of Budget 2019-001 (2009-007) - Material Weakness

CONDITION In fiscal year 2019, the City was not able to monitor budgetary process including the preparation and adjustment of the budget in order to ensure all expenditures are authorized in a timely matter because of the change in management.

The following funds exceeded budget:

General Fund	\$ 242,730
Cemetery Fund	65
Law Enforcement Fund	21,800
State Fire Fund	113,053
Environmental Fund	63,667
Intergovernmental Grants Fund	1,985
Youth and Aged	91,013
Solid Waste Fund	<u>6,380</u>

Total Expense	540,693
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Intergovernmental Grants Fund	<u>32,699</u>
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Total Transfers	\$ 32,699
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The City has not made any progress from the prior year.

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 Treasurer will perform quarterly budget analysis and prepare budget adjusting entries as necessary. In addition, a process to include year end review and closing adjustments will be implemented.

Expected Completion Date: June 30, 2020 **Employee Responsible:** City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Cash Management 2019-002 (2016-001) - Material Weakness

CONDITION	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 \$7,798,543 and \$4,535,959 respectively. The general ledger cash balance totaled \$5,076,472. The City has not made any progress from the prior year.
CRITERIA	Per Section 6-6-3 NMSA 1978, every local public body shall: 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; and 3) Conform to the rules and regulations adopted by the local government division. 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.
CAUSE	The City's software set up was incompatible to the City operations resulting in differences.
EFFECT	Cash balances of the city is misstated.
RECOMMENDATION	The City should make sure the cash balance reported in the DFA report, and bank reconciliation matches with the cash general ledger.
RESPONSE	As of March 2020 the City Treasurer has started to restructure the general ledger chart of accounts to align with reporting body requirements. This will better allow for compliance with Resolution 2018-41 providing for financial reporting requirements in compliance with GASB 54. Estimated completion of restructuring is June 2020.

Expected Completion Date: June 30, 2020

Employee Responsible: City Treasurer

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

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Internal Control - Itemized receipt 2019-003 (2017-002) - Other Non-Compliance

CONDITION	During credit card testing, 6 out of the 15 credit card statements selected could not be located. Additionally, the City was unable to provide itemized receipts for 9 transactions in the month of March 2019 totaling \$1,380 and 9 transactions in the month of May 2019 totaling \$772. The City has not made any progress on this finding.
CRITERIA	The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: "inadequate documentation of the components of internal control."
CAUSE	The City was unable to set up an internal control in place over purchasing because of the change in management. .
EFFECT	It is possible for unallowed expenses to be purchased and not be reported.
RECOMMENDATION	The City should re-evaluate the internal control in place over purchasing to ensure that proper documentation is kept.
RESPONSE	Resolution 2018-43 provided direction on use of credit cards for miscellaneous expenditures. Appropriate procedures have been put in place to correct this finding to include electronic record keeping to assist with employee turnover problems.

Expected Completion Date: June 30, 2020

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Capital assets - CIP 2019-004 (2017-003) - Material Weakness

Federal Program Information:
Funding Agency: US Department of Agriculture
Title: Water and Waste Disposal System - Rural Utilities
CFDA: 10.760
Questioned Costs: None

CONDITION During the testing for construction in progress (CIP), it was noted that \$2,140,374 was not included in the schedule of capital assets in fiscal year 2016 and was not capitalized. This resulted in a restatement in the FYE 2017. In fiscal years 2018 and 2019, the schedule of fixed assets were still not updated to include the corrected CIP balance. As a result, we could not rollforward capital assets in fiscal years 2018 and 2019. Additionally, this resulted in inaccurate depreciation expenses as some of the CIP projects were completed and transferred during the year.

The City did not make progress on this finding.

CRITERIA New Mexico Administrative Code 2.20.1.8 states that "Agencies should implement systematic and well documented methods for accounting for their capital assets." To be compliant with GASB 34, capital assets must be presented net of accumulated depreciation expense, accumulated and current year depreciation must be identified by each major class of assets.

CAUSE The City was unable to review the Schedule of fixed assets that were prepared by the third party before these schedules were provided to the auditors.

EFFECT CIP balances are not updated accurately and depreciation expenses are not calculated correctly.

RECOMMENDATION The City should re-evaluate the internal controls in place over construction in progress and capitalization of assets to ensure that assets are properly stated.

RESPONSE City staff has identified an Asset Manager who starting in 2020 will reevaluate and reconcile in house asset reports to ensure reports are correct by the end of the fiscal year. This individual will receive appropriate training to ensure accurate recording of assets. They will also work with the third party who prepared capital assets schedule to update the fixed asset listing and reconcile to the General Ledger.

Expected Completion Date: June 30, 2020 **Employee Responsible:** City Treasurer

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

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Late Audit Submission 2019-005 (2017-007) - Other Non-Compliance

CONDITION	<p>The audit report was not submitted to the Office of the State Auditor by the December 15 deadline.</p> <p>The City did not make progress on this finding.</p>
CRITERIA	<p>Per Section 2.2.2.8 NMAC, the local public body the IPA recommendation and audit contract should be delivered to the state by May 15th before the year end.</p>
CAUSE	<p>The City has experienced significant turnover in management. Consequently, the new management has been working on catching up the financial records and reporting.</p>
EFFECT	<p>The City will submit their FYE 2019 audit after the deadline and will be added on to the at risk list. Late audits result in untimely reporting.</p>
RECOMMENDATION	<p>The City should schedule audit fieldwork earlier to ensure audit report is submitted to the Office of the State Auditor by the December 15 deadline.</p>
RESPONSE	<p>Field work will be scheduled earlier in the audit season and an electronic processes for documentation submission to auditor will be utilized to allow for timely completion.</p>

Expected Completion Date: June 30, 2020

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Inconsistencies in schedule of Capital Assets 2019-006 (2017-009) - Material Non-Compliance

CONDITION	<p>Fixed assets schedule provided by the City (prepared by third party) is not updated accurately. We identified multiple errors in the schedule of fixed assets in FY 2019. Multiple assets purchased in prior years were added in the schedule of fixed assets in FY 2019. However these assets were missing in the schedule of fixed assets provided in prior years. Consequently, we could not rollforward capital assets in fiscal year 2019</p> <p>The City did not make progress on this finding.</p>
CRITERIA	<p>New Mexico Administrative Code 2.20.1.8 states that "Agencies should implement systematic and well documented methods for accounting for their fixed assets." To be compliant with GASB 34, capital assets must be presented net of accumulated depreciation expense, accumulated and current year depreciation must be identified by each major class of assets.</p>
CAUSE	<p>The City was unable to review the Schedule of fixed assets that were prepared by the third party before these schedules were provided to the auditors.</p>
EFFECT	<p>Inconsistencies in the preparation of schedule of capital assets will lead to errors and inaccurate representation of fixed assets by funds.</p>
RECOMMENDATION	<p>The City should re-evaluate the internal controls in place over the preparation of schedule of capital assets to ensure that assets are properly stated.</p>
RESPONSE	<p>City staff has identified an Asset Manager who starting in 2020 will reevaluate and reconcile in house asset reports to ensure reports are correct by the end of the fiscal year. This individual will receive appropriate training to ensure accurate recording of assets. They will also work with the third party who prepared capital assets schedule to update the fixed asset listing and reconcile to the General Ledger.</p>

Expected Completion Date: June 30, 2020

Employee Responsible: City Treasurer

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

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Adjusting Journal Entries 2019-007 (2018-001) - Significant Deficiency

CONDITION	BMC tested 8 adjusting entries for fiscal year 2019. It was identified that all 8 journal entries were not reviewed and approved. Additionally, backup documentation for all 8 entries could not be provided. The total amount of the journal entries was \$33,567. The City has not made any progress from the prior year.
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 has experienced significant turnover in management. Consequently, the new management has been working on catching up the financial records and reporting.
EFFECT	There may be unauauthorized 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	Journal entry form will be developed for approval and tracking by management. Form will be used for adjusting budget entries, adjusting journal entries, and recording of NSF checks. A formal policy to include approval requirements will be implemented.

Expected Completion Date: June 30, 2020

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

**Lack of Supporting Documents for Outstanding Deposits and Checks 2019-008 (2018-002) -
Significant Deficiency**

CONDITION There was a lack of supporting documentation for 2 out of 2 outstanding deposits tested, totaling \$41,161.74. The City stated that the previous treasurer had made manual journal entries of the outstanding deposits and no supporting documents were available. These deposits remained uncleared in fiscal year 2019.

The City has not made any progress from prior fiscal year.

CRITERIA Section 12-6-5 NMSA 1978 which states any violation of good accounting practices shall be set out in detail in a written report. Good accounting practices dictate that reconciliation of bank balances should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the financial statements properly. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and resolved properly. Ideally all bank accounts should be reconciled prior to the close of the bank statement for the following month.

CAUSE City Treasurer left and had made all of the adjusting entries. The new City Treasurer was unable to retrieve the documents.

EFFECT The bank reconciliations are inaccurate, and the lack of documentation may result in error.

RECOMMENDATION The City should make sure the bank reconciliation is correctly performed in a timely manner and reviewed.

RESPONSE Starting in March 2020, the Treasurer has been working with Caselle and contracted application experts to purge invalid entries. Estimated completion date is fiscal year end 2020.

Expected Completion Date: June 30, 2020

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Payroll (2019-009)- Significant Deficiency

CONDITION	During payroll testing, it was noted that out of the 10 employee files tested, 6 did not contain an annual employee evaluations, 10 files did not contain job descriptions and 7 did not contain resumes.
CRITERIA	The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstances as possible control efficiency, significant deficiency, or material weakness: "inadequate documentation of the components of internal control"
CAUSE	The City does not have adequate document retainage policies in place.
EFFECT	Improper file review and document retention may cause abuse by employees.
RECOMMENDATION	It is recommended that the City review all employee files for missing documentation .
RESPONSE	The City will review employee files to ensure all relevant documentation is present.

Expected Completion Date: June 30, 2020

Employee Responsible: City Treasurer

STATE OF NEW MEXICO
CITY OF JAL
CORRECTIVE ACTION PLAN
JUNE 30, 2019



CITY OF JAL
JAL, NEW MEXICO 88252

PO DRAWER 340
PHONE (575) 395-3340

City of Jal
Audit Findings Corrective Action Plan
December 15, 2019

For the fiscal year ended June 30, 2019 the City of Jal had nine audit findings. A summary of the findings along with the corrective action plan to prevent the audit findings in the future is detailed below.

1. Expenditures in Excess of Budget 2019-001 (2009-007) - Material Weakness
The City Treasurer will perform quarterly budget analysis and prepare budget adjusting entries as necessary. In addition, a process to include year-end review and closing adjustments will be implemented.
Responsible Personnel: City Treasurer Anticipated Completion Date: 06/30/2020

2. Cash Management 2019-002 (2016-001) - Material Weakness
As of March 2020 the City Treasurer has started to restructure the general ledger chart of accounts to align with reporting body requirements. This will better allow for compliance with Resolution 2018-41 providing for financial reporting requirements in compliance with GASB 54. Estimated completion of restructuring is June 2020.
Responsible Personnel: City Treasurer Anticipated Completion Date: 06/30/2020

3. Internal Control - Itemized receipt 2019-003 (2017-002) - Other Non-Compliance
Resolution 2018-43 provided direction on use of credit cards for miscellaneous expenditures. Appropriate procedures have been put in place to correct this finding to include electronic record keeping to assist with employee turnover problems.
Responsible Personnel: City Treasurer Anticipated Completion Date: 06/30/2020

4. Capital assets - CIP 2019-004 (2017-003) - Material Weakness
City staff has identified an Asset Manager who starting in 2020 will reevaluate and reconcile in house asset reports to ensure reports are correct by the end of the fiscal year. This individual will receive appropriate training to ensure accurate recording of assets. They will also work with the third party who prepared capital assets schedule to update the fixed asset listing and reconcile to the General Ledger.
Responsible Personnel: City Treasurer Anticipated Completion Date: 06/30/2020

5. Late Audit Submission 2019-005 (2017-007) - Other Non-Compliance
Field work will be scheduled earlier in the audit season to allow for timely completion.
Responsible Personnel: City Treasurer Anticipated Completion Date: 06/30/2020

6. Inconsistencies in schedule of Capital Assets 2019-006 (2017-009) - Material Non-Compliance
City staff has identified an Asset Manager who starting in 2020 will reevaluate and reconcile in house asset reports to ensure reports are correct by the end of the fiscal year. This individual will receive appropriate training to ensure accurate recording of assets. They will also work with the

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

STATE OF NEW MEXICO
CITY OF JAL
CORRECTIVE ACTION PLAN
JUNE 30, 2019

third party who prepared capital assets schedule to update the fixed asset listing and reconcile to the General Ledger.

Responsible Personnel: City Treasurer

Anticipated Completion Date: 06/30/2020

7. Adjusting Journal Entries 2019-007 (2018-001) - Significant Deficiency

Journal entry form will be developed for approval and tracking by management. Form will be used for adjusting budget entries, adjusting journal entries, and recording of NSF checks.

Responsible Personnel: City Treasurer

Anticipated Completion Date: 06/30/2020

8. Lack of Supporting Documents for Outstanding Deposits and Checks 2019-008 (2018-002) - Significant Deficiency

Starting in March 2020, the Treasurer has been working with Caselle and contracted application experts to purge invalid entries.

Responsible Personnel: City Treasurer

Anticipated Completion Date: 06/30/2020

9. Payroll (2019-009)- Significant Deficiency

The City will review employee files to ensure all relevant documentation is present.

Responsible Personnel: City Treasurer

Anticipated Completion Date: 06/30/2020

STATE OF NEW MEXICO
CITY OF JAL
CORRECTIVE ACTION PLAN
JUNE 30, 2019

An entrance conference was held on October 21, 2019 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

Stephen Aldridge	Mayor
Matt White	City Manager
Desiree Lopez	City Treasurer

Beasley, Mitchell & Co., LLP

Avi Chetry, CPA	Senior Auditor
Ashley Tierney, CFE	Audit Staff II

An exit conference was held on February 27, 2020 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

Stephen Aldridge	Mayor
Matt White	City Manager
Desiree Lopez	City Treasurer
Isaac Sanchez	Deputy Treasurer
Molly Sanchez	City Clerk

Beasley, Mitchell & Co., LLP

Ashley Tierney, CFE	Audit Staff II
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The financial statements presented in this report were compiled with the assistance of the auditors, Beasley, Mitchell & Co., LLP. However, the contents of the financial statements remain the responsibility of management.