

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018



INTRODUCTORY SECTION

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CITY OF LORDSBURG
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FOR THE YEAR ENDED JUNE 30, 2018**

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CITY OF LORDSBURG
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**STATE OF NEW MEXICO
CITY OF LORDSBURG
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2018**

City of Lordsburg

<u>Elected Officials</u>	<u>Title</u>
Robert Barrera	Mayor
Eddie Lopez	Mayor Pro-Tem
Irene Galvan	Councilor
Ernest Gallegos, Sr.	Councilor
Susie Cole	Councilor
Rodney Plowman	Councilor
Roxann Randall	Councilor

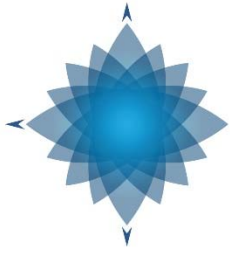
<u>Department Heads</u>	<u>Title</u>
Martha Salas	Finance Officer
Jeannie Palacios	City Clerk

City of Lordsburg Public Housing Authority

<u>Board of Commissioners</u>	<u>Title</u>
Robert Barrera	Chairman
Eddie Lopez	Vice Chairman
Irene Galvan	Commissioner
Ernest Gallegos, Sr.	Commissioner
Susie Cole	Commissioner
Rodney Plowman	Commissioner
Roxann Randall	Commissioner

<u>Department Heads</u>	<u>Title</u>
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FINANCIAL SECTION



Independent Auditor's Report

Wayne Johnson,
New Mexico State Auditor
Mayor and City Councilors
City of Lordsburg
Lordsburg, New Mexico

To the Mayor and City Council

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Lordsburg, New Mexico, as of and for the year-ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements 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.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on the Lordsburg Housing Authority Fund

There was no system of internal control for Housing Authority tenant receivables and security deposits on which we could rely for the purpose of our audit. We were unable to obtain sufficient audit evidence to conclude that tenant receivables and security deposit balances were materially correct.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on the Lordsburg Housing Authority Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Lordsburg Housing Authority fund as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of proportionate share of the net pension liability and the schedule of contributions and notes to the Required Supplementary Information on pages 48-54 be 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 evidence sufficient to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting

for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, and the combining and individual fund financial statements, and the budgetary comparisons. 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 the other schedules required by 2.2.2 NMAC are also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by 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, the schedule of expenditures of federal awards and other schedules required by 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 December 12, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

December 12, 2018

**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF NET POSITION
As of June 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 918,802	105,871	1,024,673
Investments	1,656,700	-	1,656,700
Receivables			
Accounts receivable	39,386	698,080	737,466
Taxes receivable	322,673	1,644	324,317
Other receivables	138,319	186,293	324,612
Due from other governments	-	611,752	611,752
Other assets	<u>29,637</u>	<u>-</u>	<u>29,637</u>
Total current assets	3,105,517	1,603,640	4,709,157
Non-current assets:			
Restricted cash	-	10,768	10,768
Investments	-	3,150,876	3,150,876
Capital assets	19,880,826	22,096,213	41,977,039
Less: Accumulated depreciation	<u>(8,493,687)</u>	<u>(8,315,049)</u>	<u>(16,808,736)</u>
Total non-current assets	<u>11,387,139</u>	<u>16,942,808</u>	<u>28,329,947</u>
Total assets	<u>14,492,656</u>	<u>18,546,448</u>	<u>33,039,104</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measurer	99,385	47,186	146,571
Actuarial experience	80,850	28,249	109,099
Investment experience	119,294	58,986	178,280
Change in assumptions	82,278	33,155	115,433
Change in proportion	<u>51,843</u>	<u>4,287</u>	<u>56,130</u>
Total deferred outflows of resources	<u>433,650</u>	<u>171,863</u>	<u>605,513</u>
Total assets and deferred outflows of resources	<u>\$ 14,926,306</u>	<u>18,718,311</u>	<u>33,644,617</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 103,824	138,088	241,912
Accrued payroll liabilities	105,834	-	105,834
Customer deposits	-	106,373	106,373
Current portion of compensated absences	40,556	35,017	75,573
Current portion of long-term debt	<u>99,201</u>	<u>106,594</u>	<u>205,795</u>
Total current liabilities	349,415	386,072	735,487
Non-current liabilities			
Compensated absences	10,139	8,756	18,895
Net pension liability	1,473,697	718,948	2,192,645
Notes payable	<u>429,500</u>	<u>1,509,954</u>	<u>1,939,454</u>
Total non-current liabilities	<u>1,913,336</u>	<u>2,237,658</u>	<u>4,150,994</u>
Total liabilities	2,262,751	2,623,730	4,886,481
Deferred inflows of resources:			
Actuarial experience	220,597	36,823	257,420
Change in assumptions	29,054	7,429	36,483
Change in proportion	<u>50,635</u>	<u>36,082</u>	<u>86,717</u>
Total deferred inflows of resources	300,286	80,334	380,620
Net position			
Net Investment in Capital Assets	10,858,438	12,164,616	23,023,054
Unrestricted Net Position	<u>1,504,831</u>	<u>3,849,631</u>	<u>5,354,462</u>
Total net position	<u>12,363,269</u>	<u>16,014,247</u>	<u>28,377,516</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 14,926,306</u>	<u>18,718,311</u>	<u>33,644,617</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes In Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 1,268,548	69,350	672,908	-	(526,290)	-	(526,290)
Public safety	1,290,460	21,226	108,833	-	(1,160,401)	-	(1,160,401)
Public works	745,860	-	-	-	(745,860)	-	(745,860)
Culture and recreation	384,476	13,766	-	-	(370,710)	-	(370,710)
Health and welfare	58,846	8,034	-	-	(50,812)	-	(50,812)
Interest expense	17,803	-	-	-	(17,803)	-	(17,803)
Total governmental activities	<u>3,765,993</u>	<u>112,376</u>	<u>781,741</u>	<u>-</u>	<u>(2,871,876)</u>	<u>-</u>	<u>(2,871,876)</u>
Business-type activities:							
Utilities							
Water	1,368,469	673,247	7,377	-	-	(687,845)	(687,845)
Gas	924,269	394,017	-	-	-	(530,252)	(530,252)
Sewer	783,360	464,368	-	-	-	(318,992)	(318,992)
Solid waste	512,547	454,973	-	-	-	(57,574)	(57,574)
Public housing	737,561	238,435	289,221	158,409	-	(51,496)	(51,496)
Total business-type activities	<u>4,326,206</u>	<u>2,225,040</u>	<u>296,598</u>	<u>158,409</u>	<u>-</u>	<u>(1,646,159)</u>	<u>(1,646,159)</u>
Total primary government	<u>8,092,199</u>	<u>2,337,416</u>	<u>1,078,339</u>	<u>158,409</u>	<u>(2,871,876)</u>	<u>(1,646,159)</u>	<u>(4,518,035)</u>
General revenues:							
Taxes							
Property taxes levied for general purposes					\$ 102,744	-	102,744
Gross receipts taxes					1,709,056	135,092	1,844,148
Other taxes and fees					272,004	-	272,004
Licenses and permits					12,763	-	12,763
Fines, forfeitures, and penalties					91,284	-	91,284
Interest income					46,557	12,087	58,644
Miscellaneous income					374,962	35,239	410,201
Transfers					145,841	(145,841)	-
Total general revenue and transfers					<u>2,755,211</u>	<u>36,577</u>	<u>2,791,788</u>
Changes in net position					(116,665)	(1,609,582)	(1,726,247)
Beginning net position					12,862,597	17,241,166	30,103,763
Restatement					(382,663)	382,663	-
Beginning net position, as restated					<u>12,479,934</u>	<u>17,623,829</u>	<u>30,103,763</u>
Net position, end of year					<u>\$ 12,363,269</u>	<u>16,014,247</u>	<u>28,377,516</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2018**

	<u>Major Funds</u>			
	<u>Cap Project</u>			<u>Total Funds</u>
	<u>General Fund</u>	<u>Road Projects Fund</u>	<u>Total Non- Major Funds</u>	
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 93,414	78,446	746,942	918,802
Investments	990,000	-	666,699	1,656,699
Receivables				
Accounts receivable	39,386	-	-	39,386
Taxes receivable	279,243	-	54,647	333,890
Other receivables	127,102	-	-	127,102
Due from other funds	1,071	-	-	1,071
Other assets	29,637	-	-	29,637
Total assets	<u>1,559,853</u>	<u>78,446</u>	<u>1,468,288</u>	<u>3,106,587</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 1,559,853</u>	<u>78,446</u>	<u>1,468,288</u>	<u>3,106,587</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ 103,724	-	100	103,824
Accrued payroll liabilities	105,834	-	-	105,834
Due to other fund	-	-	1,071	1,071
Total liabilities	<u>209,558</u>	<u>-</u>	<u>1,171</u>	<u>210,729</u>
Deferred Inflows of Resources:				
"Unavailable" revenues	<u>11,337</u>	<u>-</u>	<u>-</u>	<u>11,337</u>
Total deferred inflows of resources	<u>11,337</u>	<u>-</u>	<u>-</u>	<u>11,337</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	78,446	1,359,335	1,437,781
Committed	298,193	-	107,782	405,975
Assigned	-	-	-	-
Unassigned	<u>1,040,765</u>	<u>-</u>	<u>-</u>	<u>1,040,765</u>
Total fund balances	<u>1,338,958</u>	<u>78,446</u>	<u>1,467,117</u>	<u>2,884,521</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 1,559,853</u>	<u>78,446</u>	<u>1,468,288</u>	<u>3,106,587</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF NET POSITION
As of June 30, 2018**

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

Total fund balance - Governmental funds	\$	2,884,521
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		11,387,139
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Delinquent property tax not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the statement of activities.		11,337
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Unavailable deferred revenues from grant funds not reimbursed within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the Statement of Activities		-
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:

Deferred outflows of resources related to:		
Employer contribution subsequent to the measurement date		99,385
Actuarial experience		80,850
Investment experience		119,294
Change in assumptions		82,278
Change in proportion		51,843
Deferred inflows of resources related to:		
Actuarial experience		(220,597)
Investment experience		-
Change in assumptions		(29,054)
Change in proportion		(50,635)

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

Net pension liability	\$	(1,473,697)	
Current compensated absences		(40,556)	
Noncurrent compensated absences		(10,139)	
Current notes payable		(99,201)	
Noncurrent notes payable	\$	<u>(429,500)</u>	(2,053,093)

Rounding		<u>1</u>
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Net position for governmental activities	\$	<u><u>12,363,269</u></u>
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**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018**

	<u>Major Funds</u>			<u>Total Funds</u>
	<u>General Fund</u>	<u>Cap Project Road Projects Fund</u>	<u>Total Non- Major Funds</u>	
Revenues:				
Taxes				
Property	\$ 99,510	-	-	99,510
Gross receipts/State shared	1,476,328	-	232,729	1,709,057
Other	63,772	-	208,232	272,004
Licenses and permits	7,667	-	5,096	12,763
Charges for services	48,919	-	63,457	112,376
Fines and forfeitures	91,284	-	-	91,284
Intergovernmental revenue				
Federal grants	306,702	-	-	306,702
State grants	336,206	-	108,833	445,039
Interest income	45,428	-	1,130	46,558
Miscellaneous income	<u>379,315</u>	<u>18,116</u>	<u>718</u>	<u>398,149</u>
Total revenues	<u>2,855,131</u>	<u>18,116</u>	<u>650,195</u>	<u>3,523,442</u>
Expenditures:				
Current:				
General government	946,614	-	699	947,313
Public safety	1,181,101	-	109,359	1,290,460
Public works	559,837	-	186,023	745,860
Culture and recreation	100,057	-	284,419	384,476
Health and welfare	47,179	-	11,667	58,846
Capital outlay	109,969	-	1,721	111,690
Debt service				
Principal	-	-	98,958	98,958
Interest	-	-	<u>17,805</u>	<u>17,805</u>
Total expenditures	<u>2,944,757</u>	<u>-</u>	<u>710,651</u>	<u>3,655,408</u>
Excess (deficiency) of revenues over (under) expenditures	(89,626)	18,116	(60,456)	(131,966)
Other financing sources (uses):				
Transfers in	80,112	78,309	411,434	569,855
Transfers out	<u>(140,309)</u>	<u>-</u>	<u>(283,705)</u>	<u>(424,014)</u>
Total other financing sources (uses):	<u>(60,197)</u>	<u>78,309</u>	<u>127,729</u>	<u>145,841</u>
Net change in fund balances	(149,823)	96,425	67,273	13,875
Beginning fund balance	<u>1,488,781</u>	<u>(17,979)</u>	<u>1,399,844</u>	<u>2,870,646</u>
Ending fund balance	<u>\$ 1,338,958</u>	<u>78,446</u>	<u>1,467,117</u>	<u>2,884,521</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
As of June 30, 2018**

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

Total net change in fund balances-governmental funds	\$	13,875
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimates useful lives and reported as depreciation expense.</p>		
Capital expenditures recorded as capital outlay or other expenses		355,952
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.</p>		
		(551,042)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred inflows of resources related to property taxes receivable		3,234
<p>The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
(Increase)/decrease in compensated absences		5,069
Principal payments on long-term debt		98,958
<p>Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds</p>		
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>		
Employer contributions subsequent to the measurement date		99,385
Pension expense		(142,097)
Rounding		<u>1</u>
Change in net position of governmental activities	\$	<u><u>(116,665)</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property	\$ 100,515	100,515	100,387	(128)
Gross receipts	1,806,625	1,806,625	1,459,001	(347,624)
Other	66,666	66,666	62,636	(4,030)
Licenses and permits	9,250	9,250	7,667	(1,583)
Charges for services	30,150	30,150	48,919	18,769
Fines and forfeitures	130,000	130,000	91,284	(38,716)
Intergovernmental revenue				
Federal grants	265,880	265,880	146,478	(119,402)
State grants	347,004	972,510	435,433	(537,077)
Interest income	35,000	35,000	45,428	10,428
Miscellaneous income	545,400	545,400	377,937	(167,463)
Total revenues	<u>3,336,490</u>	<u>3,961,996</u>	<u>2,775,170</u>	<u>(1,186,826)</u>
Expenditures:				
Current:				
General government	977,225	1,018,664	935,811	82,853
Public safety	1,235,559	1,250,559	1,181,101	69,458
Public works	441,253	1,170,864	557,318	613,546
Culture and recreation	129,595	129,595	100,057	29,538
Health and welfare	64,815	72,315	47,179	25,136
Capital outlay	<u>392,942</u>	<u>353,942</u>	<u>109,969</u>	<u>243,973</u>
Total expenditures	<u>3,241,389</u>	<u>3,995,939</u>	<u>2,931,435</u>	<u>1,064,504</u>
Excess (deficiency) of revenues over (under) expenditures	95,101	(33,943)	(156,265)	(2,251,330)
Other financing sources (uses):				
Transfers in	80,112	80,112	80,112	-
Transfers out	<u>(140,309)</u>	<u>(140,309)</u>	<u>(140,309)</u>	<u>-</u>
Total other financing sources (uses):	<u>(60,197)</u>	<u>(60,197)</u>	<u>(60,197)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	34,904	(94,140)	(216,462)	<u>(2,251,330)</u>
Budgeted cash carryover	<u>-</u>	<u>94,140</u>	<u>216,462</u>	
Net change in fund balance	<u>\$ 34,904</u>	<u>-</u>	<u>-</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (216,462)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			79,962	
Adjustments to expenditures for accrued wages and expenditures			<u>(13,323)</u>	
Net change in fund balance (GAAP)			<u>\$ (149,823)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2018**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 94,163	11,708	105,871
Receivables			
Accounts receivable, net	614,562	83,518	698,080
Taxes receivable	1,644	-	1,644
Other receivables	186,293	-	186,293
Due from other governments	-	611,752	611,752
Total current assets	<u>896,662</u>	<u>706,978</u>	<u>1,603,640</u>
Non-current assets:			
Restricted cash:			
Cash and cash equivalents - tenant security deposits	-	10,768	10,768
Long-term Investments	3,150,876	-	3,150,876
Capital assets, net	<u>12,094,168</u>	<u>1,686,995</u>	<u>13,781,163</u>
Total non-current assets	<u>15,245,044</u>	<u>1,697,763</u>	<u>16,942,807</u>
Total assets	<u>16,141,706</u>	<u>2,404,741</u>	<u>18,546,447</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measurement date	37,798	9,388	47,186
Investment experience	47,712	11,274	58,986
Change in assumptions	26,818	6,337	33,155
Change in proportion	4,287	-	4,287
Total deferred outflows of resources	<u>139,466</u>	<u>32,397</u>	<u>171,863</u>
Total assets and deferred outflows of resources	<u>\$ 16,281,172</u>	<u>2,437,138</u>	<u>18,718,310</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 29,342	108,746	138,088
Customer deposits	95,605	10,768	106,373
Current portion of compensated absences	31,411	3,606	35,017
Current portion of long-term debt	106,594	-	106,594
Total current liabilities	<u>262,952</u>	<u>123,120</u>	<u>386,072</u>
Non-current liabilities			
Compensated absences	7,855	901	8,756
Total pension liability	581,540	137,408	718,948
Notes payable	1,509,954	-	1,509,954
Total non-current liabilities	<u>2,099,349</u>	<u>138,309</u>	<u>2,237,658</u>
Total liabilities	<u>2,362,301</u>	<u>261,429</u>	<u>2,623,730</u>
Deferred inflows of resources:			
Actuarial experience	29,785	7,038	36,823
Change in assumptions	6,009	1,420	7,429
Change in proportion	20,344	15,738	36,082
Total deferred inflows of resources	<u>56,138</u>	<u>24,196</u>	<u>80,334</u>
Net position			
Net Investment in Capital Assets	13,628,496	1,697,763	15,326,259
Unrestricted Net Position	234,237	453,750	687,987
Total net position	<u>13,862,733</u>	<u>2,151,513</u>	<u>16,014,246</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 16,281,172</u>	<u>2,437,138</u>	<u>18,718,310</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,986,604	238,435	2,225,039
Federal grants - operating	-	289,221	289,221
Total operating revenues	<u>1,986,604</u>	<u>527,656</u>	<u>2,514,260</u>
Operating expenses:			
Personnel services	820,429	191,658	1,012,087
Operating expenses	2,269,301	459,394	2,728,695
Depreciation and amortization	<u>493,407</u>	<u>86,509</u>	<u>579,916</u>
Total operating expenses	3,583,137	737,561	4,320,698
Operating income (loss)	(1,596,533)	(209,905)	(1,806,438)
Non-operating revenues (expenses):			
Federal grants - capital	-	158,409	158,409
State grants - capital	7,377	-	7,377
Gross receipts and other taxes	135,088	-	135,088
Miscellaneous	30,298	4,945	35,243
Interest income	<u>10,937</u>	<u>1,150</u>	<u>12,087</u>
Total non-operating revenues (expenses)	<u>178,192</u>	<u>164,504</u>	<u>342,696</u>
Income (loss) before transfers	(1,418,341)	(45,401)	(1,463,742)
Other financing sources/(uses)			
Transfers in	891,617	-	891,617
Transfers out	<u>(1,037,458)</u>	-	<u>(1,037,458)</u>
Total other financing sources/(uses)	(145,841)	-	(145,841)
Change in net position	(1,564,182)	(45,401)	(1,609,583)
Net position, beginning of year	15,044,252	2,196,914	17,241,166
Restatement	<u>382,663</u>	-	<u>382,663</u>
Beginning net position, as restated	<u>15,426,915</u>	<u>2,196,914</u>	<u>17,623,829</u>
Net position, end of year	<u>\$ 13,862,733</u>	<u>2,151,513</u>	<u>16,014,246</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,526,643	238,435	2,765,078
Receipts from subsidy grants	-	8,718	8,718
Payments to suppliers	(2,257,944)	(385,001)	(2,642,945)
Payments to employees	(763,621)	(193,928)	(957,549)
Net cash provided (used) for operating activities	<u>(494,922)</u>	<u>(331,776)</u>	<u>(826,698)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	891,617	-	891,617
Transfers to other funds	(1,037,458)	-	(1,037,458)
Tax receipts	135,088	-	135,088
Miscellaneous income	30,298	4,945	35,243
Net cash provided (used) for noncapital financing activities	<u>19,545</u>	<u>4,945</u>	<u>24,490</u>
Cash flows from capital and related financing activities:			
Intergovernmental receipts-capital	7,377	158,409	165,786
Acquisition and construction of capital assets	(281,444)	-	(281,444)
Principal paid on long-term debt	(136,296)	-	(136,296)
Interest paid on long-term debt	(5,508)	-	(5,508)
Long-term debt proceeds.	426,360	-	426,360
Net cash provided (used) for capital and related financing activities.	<u>10,489</u>	<u>158,409</u>	<u>168,898</u>
Cash flows from investing activities:			
Proceeds from sale and maturities of investments	43,110	135,354	178,464
Interest and dividends	10,937	1,149	12,086
Net cash provided (used) for investing activities.	<u>54,047</u>	<u>136,503</u>	<u>190,550</u>
Net increase (decrease) in cash and cash equivalents	(410,841)	(31,919)	(442,760)
Cash and cash equivalents – beginning of year	<u>505,004</u>	<u>54,395</u>	<u>559,399</u>
Cash and cash equivalents – end of year	\$ <u><u>94,163</u></u>	<u><u>22,476</u></u>	<u><u>116,639</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,596,533)	(209,905)	(1,806,438)
Adjustments			
Depreciation and amortization	493,407	86,509	579,916
Pension expense	90,342	9,392	99,734
Deferred outflows - contributions subsequent to measurement date	(37,798)	(9,388)	(47,186)
Bad debt expense	(17,985)	-	(17,985)
Changes in assets and liabilities:			
Receivables	540,039	(280,503)	259,536
Accounts payable	29,342	78,025	107,367
Deposits	-	(3,632)	(3,632)
Compensated absences	4,264	(2,274)	1,990
Net cash provided by operating activities	\$ <u><u>(494,922)</u></u>	<u><u>(331,776)</u></u>	<u><u>(826,698)</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lordsburg (the "City") was established by the laws of the State of New Mexico in 1881. The City operates under the Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (highways and streets), health and social services, culture and recreation, public improvements, planning and zoning, and general administration services. Other services include utilities and public housing.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's most significant accounting policies are described below.

A. Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, or the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City does not have any component units. Additionally, the City is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2018.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

B. Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

The City reports the general fund as a major governmental 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.

In addition, the City reports the following other major funds:

Capital Projects Fund – Road Projects Fund -To account for the construction of various road projects within the City.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. The City reports the following proprietary funds, all of which are considered major funds.

Joint Utility Fund – To account for the City’s utility operations which include water, wastewater, solid waste, and gas services.

Lordsburg Housing Authority – Provides financial assistance to low income families for low rent

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

housing in city owned facilities.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues, such as charges for services and tenant rent payments, in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues, such as subsidies/grants and investment earnings, are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

C. Assets, Liabilities and Equity

Cash Equivalents

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in pooled cash and investments are considered to be cash equivalents for the purposes of the statement of cash flows, except for certificates of deposit or other investments that have original maturities of more than 90 days.

Investments

The City's investments are regulated by state law as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, which is determined using selected bases. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Investments in a U.S. Treasury Fund and repurchase agreements are valued at the last reported sales price at current exchange rates.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

business-type activities are reported in the government-wide financial statements as “internal balances.” In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased. The City current does not hold any items in inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is adjusted for all deletions.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

capitalized by the City during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

<u>Asset Type</u>	<u>Years</u>
Land	Perpetuity
Construction in progress	Perpetuity
Buildings	15 - 50
Other improvements	15 - 40
Infrastructure	10 - 80
Utility system	5 - 80
Machinery and equipment	3 - 10

Analysis of Impairment

Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such City assets at June 30, 2018.

Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as deposits held in trust for others.

Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on their tenure with the City. Accumulated unused vacation may be carried from one calendar year to another but the amount of annual leave carry-over cannot exceed 40 hours. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is not reported in the governmental fund balance sheet unless it was actually due and payable at year end for payments due to retired or terminated employees.

The City allows full-time employees to accumulate unused sick leave. Accumulated unused sick leave is not paid upon termination from employment or retirement. Sick leave is only paid upon illness while in the employment of the City. Accordingly, no provision for accumulated sick leave has been made in the accompanying financial statements.

Short-Term Obligations

No short-term debt occurred during the current fiscal year.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of fund net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are 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 expenditures.

Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has five types of items that qualify for reporting in this category. Accordingly, the items, employer contributions subsequent to measurement date, net difference between expected and actual earnings on pension plan investments, net difference between expected and actual experience, change in assumptions and change in proportion, are reported on the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources in the period the amounts become available. The City has recorded \$146,571 related to contributions subsequent to the measurement date, \$178,280 related to the net difference between expected and actual earnings on pension plan investments, \$109,099 related to the net difference between expected and actual experience, \$115,433 related to changes in assumptions and \$56,129 related to changes in proportion.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized.

If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The City has six types of items which qualify for reporting in this category. The items, unavailable revenue – property taxes and unavailable revenue - grants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the

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period that the amounts become available. The City has recorded \$11,337 related to property taxes and \$0- related to grants that are considered "unavailable".

The items, net difference between expected and actual earnings on pension plan investments, change in assumptions, actuarial experience, and change in proportion, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has recorded \$- related to the net difference between expected and actual earnings on pension plan investments, \$257,420 related to the net difference between expected and actual experience, \$36,483 related to changes in assumptions and \$86,717 related to changes in proportion.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the City classifies fund balances in the governmental funds as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements. Examples are Prepaid Expenses and Inventory.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision making authority (City Council). These commitments can only be overturned by a like action.

Assigned includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the City Council, Mayor, or City Clerk/Finance Director for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the City Council at any public meeting.

Unassigned includes residual positive fund balances within the General Fund, which have not been classified within the other above-mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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See the Schedule of Fund Balances on page 68 for additional information about fund balances.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the City's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed.

The City does not have a formal minimum fund balance requirement.

Net Position

Government-wide and Proprietary Fund Financial Statements. The City classifies net position in the government-wide and proprietary fund financial statements as follows:

Net Investment in Capital Assets includes the City's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The City typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The City Council has the authority to revisit or alter this designation.

D. 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.

E. Inter-Fund Transactions

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon

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consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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

F. Income Taxes

As a local government entity, the City is not subject to federal or state income taxes. The City is generally no longer subject to examination by federal and state taxing authorities for years prior to 2015. For the year ended June 30, 2018, no interest or penalties were recorded or included in the financial statements.

G. 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The City adopts budgets for each individual fund (governmental and proprietary).

In late winter or early spring, the City prepares a budget calendar, thus starting the budgetary process for the upcoming June 1 fiscal year. Budget request forms are distributed to City departments with a specified completion date. Legally mandated advance notices are formally published for grant availability and other purposes once budget hearings have been scheduled. The budget hearings are then held with all City department heads. Generally, in late May or early June, a budget meeting is held for tentative approval of the completed budget by the City Council. After tentative approval at the City level, the budget is submitted to the New Mexico Department of Finance and Administration (DFA) for approval of a temporary operational budget beginning June 1.

Immediately after July 1, when ending cash balances for the preceding fiscal year have been accurately ascertained, a final hearing is convened for finalization of the budget, and it is resubmitted to DFA for formal approval. None of the above budgetary processes are legally required to occur at any specified time; however DFA requires that the time frame be such that they (DFA) render their final budget approval no later than September 1 of the budget year in question.

During the course of the fiscal year, the City prepares monthly budget reports. Under New Mexico State law, each year's budget appropriation legally lapses at year-end.

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Budgetary Compliance – Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

Budget Amendments – Budget increases and decreases can only be accomplished by City Council resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

Budgetary Basis – State law prescribes that the City's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

The accompanying Statements of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

NOTE 3 – CASH AND CASH EQUIVALENTS

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

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

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or 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

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The City maintains cash in one financial institution within Lordsburg, New Mexico. The City's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institution.

The City's cash balances consist of demand deposits, interest bearing savings accounts, and short-term certificates of deposit. The majority of City's cash and investments are pooled. All interest income is accounted for in the related funds. The City does not have a deposit policy. The City's cash and cash equivalents are listed on page 69 of this report.

The following is a summary of the City's cash and cash equivalents balances by fund type as of June 30, 2018:

<u>Fund Type</u>	<u>Amount</u>
Primary government	
Governmental funds	\$ 918,802
Business-type activities	<u>116,639</u>
Total cash and cash equivalents - primary government	<u>\$ 1,035,441</u>

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City funds may not be returned. The City does not have a deposit policy for custodial risk.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

Based on the above, the City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The types of collateral allowed 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 City's Schedule of Collateral is presented on page 70 of this report.

As of June 30, 2018, the City's bank balances (inclusive of investments listed in Note 4) of \$5,754,395 were exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$ 250,000
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the City's name.	2,972,069
Uninsured and uncollateralized	<u>2,532,326</u>
Total uninsured deposits	<u>\$ 5,754,395</u>

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NOTE 4 – INVESTMENTS

The City’s investments consisted of the following as of June 30, 2018:

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk- Rating</u>	<u>Maturity</u>
Overnight sweep accounts	\$ 67	67	N/A	N/A
Certificates of deposit	4,807,576	4,807,576	N/A	6 - 36 months
	<u>\$ 4,807,643</u>	<u>4,807,643</u>		

For reporting purposes, the City’s sweep account is considered cash equivalents due to its highly-liquid nature. All of the City’s certificates of deposit have maturities of greater than 90 days and are not considered cash equivalents. Those certificates with maturities greater than one year are considered long-term investments and are reported as such on the Statement of Net Position. All of the City’s investments accounts are held by the same bank as the City’s other cash balances and are covered by the collateralization maintained for those balances. The certificates of deposit are valued at cost which approximates fair market value due to the relatively short terms and low rates of return on the certificates.

NOTE 5 – RECEIVABLES

Receivables as of June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Road Proj Fund</u>	<u>Nonmajor Funds</u>	<u>Total Receivables</u>
Accounts	\$ 210,375	-	-	210,375
Taxes:				
Property	13,247	-	-	13,247
State	252,588	-	36,520	289,108
Other	14,544	-	18,127	32,671
Other	<u>125,966</u>	<u>-</u>	<u>-</u>	<u>125,966</u>
Subtotal	616,720	-	54,647	671,367
Less: Allowance for uncollectibles	<u>(170,990)</u>	<u>-</u>	<u>-</u>	<u>(170,990)</u>
Net Receivables	<u>\$ 445,730</u>	<u>-</u>	<u>54,647</u>	<u>500,377</u>

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	Joint Utility Fund	Housing Authority	Total Receivables
Accounts	\$ 852,534	83,518	936,052
Taxes:			
State	1,644	-	1,644
Other intergovernmental	-	611,752	611,752
Other	<u>186,293</u>	-	<u>186,293</u>
Subtotal	1,040,471	695,270	1,735,741
Less: Allowance for uncollectibles	<u>(237,972)</u>	-	<u>(237,972)</u>
Net Receivables	<u>\$ 802,499</u>	<u>695,270</u>	<u>1,497,769</u>

The City has an established policy where an allowance for doubtful accounts is established for all receivable items outstanding over ninety (90) days.

In accordance with GASB No. 33, the property tax revenues totaling \$11,337 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

NOTE 6 – PROPERTY TAXES

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Hidalgo County Assessor to develop the property tax schedule by October 1st. The Hidalgo County Treasurer sends tax notices to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City.

Property taxes receivable are an aggregate of uncollected amounts assessed for the current fiscal year, as well as delinquent balances carried forward from the nine preceding fiscal years. While some of the delinquent outstanding balances will eventually be eliminated through corrections, litigation, and other property tax administrative procedures, the majority of the balances will ultimately be realized through delinquent payment or tax sales. The aggregate amount of this ultimate realization is generally difficult to ascertain at any point in time. Thus, taxes not collected within sixty days of year end are carried in the deferred inflow of resources section of the balance sheet as "unavailable revenue" on the fund basis financial statements.

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NOTE 7 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land and construction in progress are not subject to depreciation.

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Balance 06/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/18</u>
Non-depreciable capital assets:				
Land	\$ 523,769	-	-	523,769
Construction in progress	<u>527,094</u>	<u>99,527</u>	<u>(382,663)</u>	<u>243,958</u>
Total non-depreciable capital assets	<u>1,050,863</u>	<u>99,527</u>	<u>(382,663)</u>	<u>767,727</u>
Capital assets being depreciated:				
Buildings	4,975,595	-	-	4,975,595
Improvements	4,688,794	118,575	-	4,807,369
Infrastructure	5,554,069	-	-	5,554,069
Machinery and equipment	<u>3,638,217</u>	<u>137,849</u>	<u>-</u>	<u>3,776,066</u>
Total capital assets being depreciated	18,856,675	256,424	-	19,113,099
Less accumulated depreciation for:				
Buildings	(1,619,596)	(103,073)	-	(1,722,669)
Improvements	(2,374,076)	(161,684)	-	(2,535,760)
Infrastructure	(1,072,302)	(125,275)	-	(1,197,577)
Machinery and equipment	<u>(2,876,671)</u>	<u>(161,010)</u>	<u>-</u>	<u>(3,037,681)</u>
Total accumulated depreciation	<u>(7,942,645)</u>	<u>(551,042)</u>	<u>-</u>	<u>(8,493,687)</u>
Total capital assets being depreciated	<u>10,914,030</u>	<u>(294,618)</u>	<u>-</u>	<u>10,619,412</u>
Total capital assets, net of depreciation	\$ <u>11,964,893</u>	<u>(195,091)</u>	<u>(382,663)</u>	<u>11,387,139</u>
BUSINESS-TYPE ACTIVITIES				
Non-depreciable capital assets:				
Land	187,715	-	-	187,715
Construction in progress	\$ <u>729,665</u>	<u>-</u>	<u>(697,944)</u>	<u>31,721</u>
Total non-depreciable capital assets	<u>917,380</u>	<u>-</u>	<u>(697,944)</u>	<u>219,436</u>
Capital assets being depreciated:				
Buildings	2,477,238	-	-	2,477,238
Improvements	6,096,344	1,157,721	-	7,254,065
Utility system	10,793,672	-	-	10,793,672
Machinery and equipment	<u>1,147,474</u>	<u>204,325</u>	<u>-</u>	<u>1,351,799</u>
Total capital assets being depreciated	20,514,728	1,362,046	-	21,876,774
Less accumulated depreciation for:				
Buildings	(2,460,826)	(530)	-	(2,461,356)
Improvements	(2,262,905)	(323,090)	-	(2,585,995)
Utility system	(1,933,976)	(230,146)	-	(2,164,122)
Machinery and equipment	<u>(1,077,423)</u>	<u>(26,150)</u>	<u>-</u>	<u>(1,103,573)</u>
Total accumulated depreciation	<u>(7,735,130)</u>	<u>(579,916)</u>	<u>-</u>	<u>(8,315,046)</u>
Total capital assets being depreciated	<u>12,779,598</u>	<u>782,130</u>	<u>-</u>	<u>13,561,728</u>
Total capital assets, net of depreciation	\$ <u>13,696,978</u>	<u>782,130</u>	<u>(697,944)</u>	<u>13,781,164</u>

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Depreciation expense for the year ended June 30, 2018 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 86,517
Public safety	147,971
Public works	252,983
Culture and recreation	<u>63,571</u>
Total governmental activities	\$ 551,042
Business type activities	
Joint utility fund	\$ 493,407
Housing authority	<u>86,509</u>
Total governmental activities	<u>\$ 579,916</u>

NOTE 8 – LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Balance			Balance	Amount
	June 30, 2017	Increases	Decreases	June 30, 2018	due within one year
Governmental funds debt					
Compensated absences	\$ 55,764	45,429	(50,498)	50,695	40,556
Revenues bonds payable	283,000	-	(4,000)	279,000	4,000
Notes payable	<u>344,659</u>	-	<u>(94,958)</u>	<u>249,701</u>	<u>95,201</u>
Total governmental activities	\$ <u>683,423</u>	<u>45,429</u>	<u>(149,456)</u>	<u>579,396</u>	<u>139,757</u>
Business-type funds debt					
Compensated absences	\$ 41,783	36,849	(34,859)	43,773	35,017
Notes payable	<u>1,326,484</u>	<u>426,360</u>	<u>(136,296)</u>	<u>1,616,548</u>	<u>106,594</u>
Total business-type activities	\$ <u>1,368,267</u>	<u>463,209</u>	<u>(171,155)</u>	<u>1,660,321</u>	<u>141,611</u>

Long-term liabilities are liquidated from the general fund and special revenue funds. Business-type long-term liabilities are liquidated from the Joint Utility Fund. No short-term debt was incurred during fiscal year 2018.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2018 are as follows.

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Governmental activities

Revenue Bonds

Bonds payable for governmental funds at June 30, 2018 are comprised of the following:

	<u>Series 2011A</u>	<u>Series 2011B</u>
Original issue:	6/29/2011	6/29/2011
Principal: \$	104,000	199,000
Interest:	29-Jun	29-Jun
Rates:	3.625%	3.50%
Maturity	6/29/2051	6/29/2051

The June 29, 2011 Wastewater System Improvement Revenue Bonds, Series 2011A, were issued to defray, in part (i) the cost of improving and extending the City's waste water system. The Bonds are being issued pursuant to Sections 3-31-1 through 3-31-12 NMSA 1978, as amended. The 2011A Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the net revenues derived from the operation of the City's wastewater system.

The annual requirements to amortize the 2011A Bond Issue outstanding as of June 30, 2018, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,000	3,458	4,458
2020	1,000	3,422	4,422
2021	2,000	3,350	5,350
2022	2,000	3,278	5,278
2023	2,000	3,206	5,206
2024-2028	10,000	14,946	24,946
2029-2033	10,000	13,145	23,145
2034-2038	14,000	10,985	24,985
2039-2043	15,000	8,285	23,285
2044-2048	20,000	5,042	25,042
2049-2053	20,000	1,008	21,008
Total	\$ <u>97,000</u>	<u>70,125</u>	<u>167,125</u>

The June 29, 2011 Wastewater System Improvement Revenue Bonds, Series 2011B, were issued to defray, in part (i) the cost of improving and extending the City's waste water system. The Bonds are being issued pursuant to Sections 3-31-1 through 3-31-12 NMSA 1978, as amended. The 2011B Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the net revenues derived from the operation of the City's wastewater system.

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The annual requirements to amortize the 2011B Bond Issue outstanding as of June 30, 2018, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,000	6,252	9,252
2020	3,000	6,147	9,147
2021	3,000	6,042	9,042
2022	3,000	5,938	8,938
2023	3,000	5,833	8,833
2024-2028	20,000	27,068	47,068
2029-2033	22,000	23,471	45,471
2034-2038	26,000	19,175	45,175
2039-2043	32,000	14,041	46,041
2044-2048	37,000	7,929	44,929
2049-2053	30,000	1,222	31,222
Total	\$ <u>182,000</u>	<u>123,118</u>	<u>305,118</u>

Notes payable

NMFA – 2001 Series Lodger’s Tax/GRT Bond Refunding Note

On March 1, 2001, the City issued bonds totaling \$1,125,000 to construct a public swimming pool. The bond was refinanced in December 2010 by obtaining a note payable from the New Mexico Finance Authority. The original amount on the refinanced note was \$695,000 with a maturity of May 1, 2020. A blended interest rate of 2.047% per annum is payable semi-annually on June 1 and December 1. The payments of principal and interest are paid from pledged governmental gross receipts tax revenues. The revenues pledged totaled \$150,634 at June 30, 2018, and equal 10.4% of future state shared gross receipts tax at their current rate. During the year ended June 30, 2018, the City collected \$721,903 in pledged revenues, and retired \$80,461 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 75,000	3,751	78,751
2020	70,000	1,883	71,883
Total	\$ <u>145,000</u>	<u>5,634</u>	<u>150,634</u>

NMFA – Fire Truck

On June 29, 2012, the City borrowed \$203,000 from the New Mexico Finance Authority. The note matures on May 1, 2023 and accrues interest at a blended rate of 1.75% per annum. The proceeds of the loan were used for the purchase of a fire truck. The payments of principal and interest are paid from pledged fire protection grant funds. The revenues pledged totaled \$111,724 at June 30, 2018, and equal 26.8% of future fire protection grant funds at their current rate. During the year ended June 30, 2018, the City collected \$83,433 in pledged revenues, and retired \$22,345 in principal and interest on the aforementioned note. The City has authorized the New Mexico Taxation and Revenue Department to intercept the required monthly payment from their gross receipts tax remittances.

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The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,201	2,144	22,345
2020	20,513	1,832	22,345
2021	20,880	1,465	22,345
2022	21,312	1,033	22,345
2023	21,795	549	22,344
Total	<u>\$ 104,701</u>	<u>7,023</u>	<u>111,724</u>

The aggregated future payments required on the notes payable are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 95,201	5,895	101,096
2020	90,513	3,715	94,228
2021	20,880	1,465	22,345
2022	21,312	1,033	22,345
2023	21,795	549	22,344
Total	<u>\$ 249,701</u>	<u>12,657</u>	<u>262,358</u>

Business-type activities

Notes Payable

NMFA – Water Fluoride Project

On June 1, 2009, the City borrowed \$85,000 from the New Mexico Finance Authority. The note matures on June 1, 2028, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan were used for construction on the City's water fluoride project. The payments of principal and interest are paid from pledged net revenues of the City's water utility system. The revenues pledged totaled \$44,273 at June 30, 2018, and equal 00.7% of future water utility revenues at their current rate. During the year ended June 30, 2018, the City collected \$673,247 in pledged revenues, and retired \$8,855 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,318	108	4,426
2020	4,329	98	4,427
2021	4,340	88	4,428
2022	4,351	77	4,428
2023	4,362	66	4,428
2024-2028	21,971	165	22,136
Total	<u>\$ 43,671</u>	<u>602</u>	<u>44,273</u>

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NMFA – Water Line Replacement

On June 21, 2013, the City borrowed \$186,118 from the New Mexico Finance Authority. The note matures on May 1, 2035, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan were used for the construction of replacement water lines throughout the City. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$157,123 at June 30, 2018, and equal 1.4% of future water utility revenues at their current rate. During the year ended June 30, 2018, the City collected \$673,247 in pledged revenues, and retired \$9,750 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 9,178	442	9,620
2020	9,201	420	9,621
2021	9,224	397	9,621
2022	9,247	374	9,621
2023	9,270	351	9,621
2024-2028	46,700	1,410	48,110
2029-2033	47,286	827	48,113
2034-2038	<u>12,630</u>	<u>166</u>	<u>12,796</u>
Total	<u>\$ 152,736</u>	<u>4,387</u>	<u>157,123</u>

NMED – RIP 93-06 R – Water System Improvements

On February 22, 1994, the City borrowed \$500,000 from the New Mexico Environment Department. The note matures on May 12, 2018 and carries a 3% interest rate per annum. The proceeds of the loan are to be used for improvements to the City’s water system. This note was repaid in full during the year ended June 30, 2018.

NMFA – Waste Water System Improvements

On September 5, 2014, the City borrowed \$72,555 from the New Mexico Finance Authority. The note matures on June 1, 2034 and carries a 0% interest rate. The proceeds of the loan are to be used for improvements to the City’s wastewater system. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$58,816 at June 30, 2018, and equal 0.8% of future water utility revenues at their current rate. During the year ended June 30, 2018, the City collected \$464,368 in pledged revenues, and retired \$3,676 in principal and interest on the aforementioned note.

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The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,676	-	3,676
2020	3,676	-	3,676
2021	3,676	-	3,676
2022	3,676	-	3,676
2023	3,676	-	3,676
2024-2028	18,380	-	18,380
2029-2033	18,380	-	18,380
2034-2038	3,676	-	3,676
Total	<u>\$ 58,816</u>	<u>-</u>	<u>58,816</u>

NMFA – Waste Water System Improvements

On July 15, 2014, the City borrowed \$39,000 from the New Mexico Finance Authority. The note matures on June 1, 2034 and carries a 0% interest rate. The proceeds of the loan were used for improvements to the City's wastewater system. The payments of principal and interest are paid from pledged net revenues of the City's water utility system. The revenues pledged totaled \$31,200 at June 30, 2018, and equal 0.4% of future water utility revenues at their current rate. During the year ended June 30, 2018, the City collected \$464,368 in pledged revenues, and retired \$1,950 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,950	-	1,950
2020	1,950	-	1,950
2021	1,950	-	1,950
2022	1,950	-	1,950
2023	1,950	-	1,950
2024-2028	9,750	-	9,750
2029-2033	9,750	-	9,750
2034-2038	1,950	-	1,950
Total	<u>\$ 31,200</u>	<u>-</u>	<u>31,200</u>

NMFA – Waste Water System Improvements

On January 15, 2016, the City borrowed \$68,779 from the New Mexico Finance Authority related to the Colonias Infrastructure program. The note matures on June 1, 2035 and carries a 0% interest rate. The proceeds of the loan were used for improvements to the City's wastewater system. The payments of principal and interest are paid from pledged net revenues of the City's waste water utility system. The revenues pledged totaled \$60,338 at June 30, 2018, and equal 0.8% of future waste water utility revenues at their current rate. During the year ended June 30, 2018, the City collected \$464,368 in pledged revenues, and retired \$3,550 in principal and interest on the aforementioned note.

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The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,550	-	3,550
2020	3,550	-	3,550
2021	3,550	-	3,550
2022	3,550	-	3,550
2023	3,550	-	3,550
2024-2028	17,750	-	17,750
2029-2033	17,750	-	17,750
2034-2038	7,088	-	7,088
Total	<u>\$ 60,338</u>	<u>-</u>	<u>60,338</u>

NMFA – Relocation of Water Lines

On April 22, 2016, the City borrowed \$850,504 from the New Mexico Finance Authority. The note matures on June 1, 2034 and carries a 2% interest rate. The proceeds of the loan were used for relocation of portions of the City's water lines that are on railway rights-of-way. The payments of principal and interest are paid from pledged net revenues of the City's water utility system. The revenues pledged totaled \$793,881 at June 30, 2018, and equal 6.6% of future water utility revenues at their current rate. During the year ended June 30, 2018, the City collected \$673,247 in pledged revenues, and retired \$44,073 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 39,903	4,171	44,074
2020	40,258	3,816	44,074
2021	40,668	3,405	44,073
2022	41,144	2,929	44,073
2023	41,712	2,362	44,074
2024-2028	216,519	4,001	220,520
2029-2033	219,302	1,319	220,621
2034-2038	132,108	264	132,372
Total	<u>\$ 771,614</u>	<u>22,267</u>	<u>793,881</u>

NMFA – Solid Waste Truck

On January 6, 2017, the City borrowed \$116,071 from the New Mexico Finance Authority. The note matures on June 1, 2022 and carries a 0.001% interest rate. The proceeds of the loan were used for the purchase of a solid waste truck. The payments of principal and interest are paid from pledged net revenues of the City's water utility system. The revenues pledged totaled \$85,207 at June 30, 2018, and equal 246.9% of future municipal environmental services gross receipts taxes at their current rate. During the year ended June 30, 2018, the City collected \$8,664 in pledged revenues, and retired \$21,354 in principal and interest on the aforementioned note.

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The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 21,270	85	21,355
2020	21,291	64	21,355
2021	21,312	43	21,355
2022	21,334	21	21,355
Total	<u>\$ 85,207</u>	<u>213</u>	<u>85,420</u>

NMFA – Replacement of Water/wastewater Lines

On October 20, 2017, the City borrowed \$426,360 from the New Mexico Finance Authority. The note matures on May 1, 2036 and carries a 0.100% blended interest rate. The proceeds of the loan were used for relocation of portions of the City’s water lines that are on railway rights-of-way. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$416,905 at June 30, 2018, and equal 3.4% of future water utility revenues at their current rate. During the year ended June 30, 2018, the City collected \$673,247 in pledged revenues, and retired \$16,813 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 22,749	413	23,162
2020	22,771	390	23,161
2021	22,794	367	23,161
2022	22,817	345	23,162
2023	22,840	322	23,162
2024-2028	114,540	1,266	115,806
2029-2033	115,115	692	115,807
2034-2038	69,345	139	69,484
Total	<u>\$ 412,971</u>	<u>3,934</u>	<u>416,905</u>

NMFA – Drainage System Improvements

On September 29, 2017, the City borrowed \$55,587 from the New Mexico Finance Authority related to the Colonias Infrastructure program. The note matures on June 1, 2039 and carries a 0% interest rate. The proceeds of the loan were used for improvements to the City’s wastewater/drainage system. The payments of principal and interest are paid from pledged net revenues of the City’s waste water utility system. During the year ended June 30, 2018, no amounts were drawn from this loan. It is expected that the loan proceeds will be drawn during the next fiscal year.

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The aggregated future payments required on the notes payable are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 106,594	5,219	111,813
2020	107,026	4,788	111,814
2021	107,514	4,300	111,814
2022	108,069	3,746	111,815
2023	87,360	3,101	90,461
2024-2028	445,610	6,842	452,452
2029-2033	427,583	2,838	430,421
2034-2038	226,797	569	227,366
Total	<u>\$ 1,616,553</u>	<u>31,403</u>	<u>1,647,956</u>

NOTE 9 – SEGMENT INFORMATION

The City issues separate revenue bonds and notes payable to finance its water and wastewater departments. The two departments are accounted for in a single fund, but investors in those bonds and notes rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each department is presented below. The Water Department operates the City's water supply system. The Wastewater Department operates the City's wastewater treatment plant, pumping stations, and collection systems.

	<u>Water Dept</u>	<u>Wastewater Dept</u>
CONDENSED STATEMENT OF NET POSITION		
Assets:		
Current assets	\$ 1,779,655	218,803
Capital assets	<u>8,598,140</u>	<u>2,414,317</u>
Total assets	<u>10,377,795</u>	<u>2,633,120</u>
Deferred outflows of resources	26,983	39,841
Liabilities		
Current liabilities	9,781	9,781
Noncurrent liabilities	<u>1,556,888</u>	<u>269,953</u>
Total liabilities	<u>1,566,669</u>	<u>279,734</u>
Deferred inflows of resources	10,862	16,037
Net position		
Net investment in capital assets	7,158,337	2,322,779
Unrestricted	<u>1,668,910</u>	<u>54,411</u>
Total net position	<u>\$ 8,827,247</u>	<u>2,377,190</u>

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**CONDENSED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION**

Operating revenues (pledged against debt)	\$ 673,246	464,368
Depreciation expense	(359,870)	(91,494)
Other operating expenses	<u>(981,239)</u>	<u>(691,866)</u>
Operating income	(667,863)	(318,992)
Nonoperating revenues (expenses):		
Capital grants	7,377	-
Taxes	80,044	110
Investment income	10,284	9
Miscellaneous revenue	3,118	1,825
Interest expense	(5,401)	-
Transfers in	67,475	312,219
Transfers out	<u>(863,790)</u>	<u>(74,911)</u>
Change in net position	(1,368,756)	(79,740)
Beginning net position	9,813,340	2,456,930
Restatement of beginning net position	<u>382,663</u>	<u>-</u>
Ending net position	<u>\$ 8,827,247</u>	<u>2,377,190</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:		
Operating activities	\$ 560,473	(216,563)
Noncapital financing activities	(713,153)	239,243
Capital and related financing activities	256,204	(5,500)
Investing activities	<u>(80,879)</u>	<u>(131,551)</u>
Net increase (decrease)	22,645	(114,371)
Beginning cash and cash equivalents	<u>59,685</u>	<u>114,371</u>
Ending cash and cash equivalents	<u>\$ 82,330</u>	<u>-</u>

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

The City recorded interfund transfers to reflect activity occurring between funds. Transfers and payments within the City are substantially for the purpose of subsidizing operating functions and funding various projects within the City. All transfers made during the year were considered routine and were consistent with the general characteristics of the City's transfer policy.

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The composition of interfund transfers during the year ended June 30, 2018 was as follows:

	General	Transfers In		Total
		Non-Major Govern- mental	Joint Utility	
General	\$ -	140,309	-	140,309
Non-Major Governmental	7,000	203,730	72,975	283,705
Joint Utility Fund	<u>73,112</u>	<u>145,704</u>	<u>818,642</u>	<u>1,037,458</u>
Total	<u>\$ 80,112</u>	<u>489,743</u>	<u>891,617</u>	<u>1,461,472</u>

The City recorded interfund receivables/payables to reflect temporary loans between funds. The purpose of the loans was to cover cash shortages until grant reimbursements or other funding measures could be obtained. All interfund balances are expected to be repaid within one year. Interfund balances as of June 30, 2018, are as follows:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	CDBG Fund-Nonmajor spec rev fund	\$ <u>1,071</u>

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries and natural disasters.

City of Lordsburg has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insurers Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The City pays an annual premium to New Mexico Self-Insured Fund for general insurance coverage and all risk of loss is transferred. The premiums paid for the year ended June 30, 2018 totaled \$206,608.

NOTE 12 – PERA PENSION PLAN

Plan description. *Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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Benefits Provided – Tier I - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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Contributions. See PERA’s compressive annual financial report for Contribution provided description

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

For PERA Fund Division Municipal General: At June 30, 2018, the City of Lordsburg reported a liability of \$985,218 for its proportionate share of the net pension liability. At June 30, 2017, the City of Lordsburg’s

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proportion was 0.0717%, which was a decrease of 0.0011% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$107,975. At June 30, 2018, the City of Lordsburg reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,713	50,460
Changes of assumptions	45,433	10,181
Net difference between projected and actual earnings on pension plan investments	80,831	-
Changes in proportion and differences between City contributions and proportionate share of contributions	7,262	34,466
City contributions subsequent to the measurement date	64,036	-
	\$ 236,275	95,107

\$64,036 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$	18,666
2018		72,779
2019		9,309
2020		(23,622)
2021		-
Thereafter	\$	-

For PERA Fund Division Municipal Police: At June 30, 2018, the City of Lordsburg reported a liability of \$1,070,019 for its proportionate share of the net pension liability. At June 30, 2017, the City of Lordsburg's proportion was 0.1926%, which was an increase of 0.0124% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$124,464. At June 30, 2018, the City of Lordsburg reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 64,988	199,922
Changes of assumptions	63,663	24,882
Net difference between projected and actual earnings on pension plan investments	86,175	-
Changes in proportion and differences between City contributions and proportionate share of contributions	48,867	36,513
City contributions subsequent to the measurement date	<u>73,147</u>	<u>-</u>
	<u>\$ 336,840</u>	<u>261,317</u>

\$73,147 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(14,053)
2018		59,084
2019		(17,459)
2020		(25,196)
2021		-
Thereafter	\$	-

For PERA Fund Division Municipal General (Housing): At June 30, 2018, the City of Lordsburg Housing Authority reported a liability of \$137,408 for its proportionate share of the net pension liability. At June 30, 2017, the City of Lordsburg Housing Authority's proportion was 0.0100%, which was a decrease of 0.0009% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of \$9,392. At June 30, 2018, the City of Lordsburg Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,398	7,038
Changes of assumptions	6,337	1,420
Net difference between projected and actual earnings on pension plan investments	11,274	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	15,738
City contributions subsequent to the measurement date	<u>9,388</u>	<u>-</u>
	<u>\$ 32,397</u>	<u>24,196</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

\$9,388 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(3,364)
2018		6,202
2019		(730)
2020		(3,295)
2021		-
Thereafter	\$	-

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years 2.75% rate all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disable table for disabled retirees before retirement age) with projection to 2018 using Scale AA. July 1, 2008 to June 30, 2013 (demographic)
Experience Study Dates	and July 1, 2010 through June 20, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	<u>100.00%</u>	

Discount rate. A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

PERA Fund Division - Municipal General - City	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City's proportionate share of the net pension liability	\$ 1,544,163	985,218	520,378
PERA Fund Division - Municipal Police	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City's proportionate share of the net pension liability	\$ 1,706,384	1,070,019	547,788
PERA Fund Division - Municipal General - Housing	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City Housing Authority proportionate share of the net pension liability	\$ 215,364	137,408	72,577

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 13 – POST EMPLOYMENT BENEFITS

The Retiree Health Care Act, Chapter IV, Article 7C NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The City has elected not to participate in the post-employment health insurance plan.

NOTE 14 – OPERATING LEASES

The City has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2019	\$ 4,768
2020	4,300
2021	1,309
2022	-
2023	-
Total	<u>\$ 10,376</u>

Rental payments charged to current operations for the year ended June 30, 2018 totaled \$1,592.

NOTE 15 – FUND DEFICITS AND NON-COMPLIANCE

Deficit Fund Balances

The City did not have any funds with a deficit fund balance at June 30, 2018:

Legal Compliance with Budget

The City did not have any funds that exceeded budget at the fund level as of June 30, 2018.

NOTE 16 – CONTINGENCIES

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds of the overall financial position of the City.

The City is party to various legal proceedings, which are the unavoidable results of governmental operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

the City's legal counsel that resolution of these matters will not have a material effect on the financial condition of the City.

NOTE 17 – COMMITMENTS

Commitments for engineering and construction projects relating to construction or major repairs in progress aggregated approximately \$1,669,835 as of June 30, 2018. The total amounts spent as of June 30, 2018 on the projects was \$1,054,679. The percentage of completion of the existing projects varies based on the project. These projects will be paid in future periods as work is performed. Payment will be made with proceeds remaining from debt issuances, operating revenues, and future grants to be received.

NOTE 18 – RESTATEMENT OF PRIOR YEAR ENDING FUND BALANCE/NET POSITION

During the year capital assets related to construction in progress totaling \$382,663 were reclassified from governmental activities to the Joint Utility Fund once the project was completed. As a result, Joint Utility Fund net position was increased \$382,663 and the governmental activities net position was decreased by \$382,663.

The following chart summarized the cumulative restatements to net position:

<u>Fund</u>	<u>Purpose/Reason</u>	<u>Amount</u>
Governmental activities		
Government-wide statements	Reclass construction in progress to Utility Fund	\$ <u>(382,663)</u>
Total governmental activities		\$ <u><u>(382,663)</u></u>
Business-type activities		
Proprietary funds		
Joint utility fund	Reclass construction in progress to Utility Fund	\$ <u>382,663</u>
Total business-type activities		\$ <u><u>382,663</u></u>

NOTE 19 – GASBS 77 TAX ABATEMENT DISCLOSURES

The City was not part of any tax abatement agreements subject to GASBS 77 Tax Abatement Disclosures during the year ended June 30, 2018. As a result, they make no such disclosures related to GASBS 77.

NOTE 20 – EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 12, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Lordsburg's proportion of the net pension liability (asset)	0.0717%	0.0728%	0.0775%	0.0752%
City of Lordsburg's proportionate share of the net pension liability (asset)	\$ 985,218	\$ 1,163,099	\$ 790,180	\$ 586,641
City of Lordsburg's covered-employee payroll	\$ 851,947	\$ 972,387	\$ 1,109,539	\$ 920,396
City of Lordsburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	115.64%	119.61%	71.22%	63.74%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

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

See independent auditors' report
See notes to required supplementary information

**STATE OF NEW MEXICO
CITY OF LORDSBURG HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Lordsburg Housing Authority's proportion of the net pension liability (asset)	0.0100%	0.0109%	0.0120%	0.0127%
Lordsburg Housing Authority's proportionate share of the net pension liability (asset)	\$ 137,408	174,146	122,350	99,074
Lordsburg Housing Authority's covered-employee payroll	\$ 128,618	169,951	166,348	145,418
Lordsburg Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	106.83%	102.47%	73.55%	68.13%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

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

See independent auditors' report
See notes to required supplementary information

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF THE CITY OF LORDSBURG'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL POLICE
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Lordsburg's proportion of the net pension liability (asset)	0.1926%	0.1802%	0.1836%	0.2042%
City of Lordsburg's proportionate share of the net pension liability (asset)	\$ 1,070,019	\$ 1,329,569	\$ 882,852	\$ 665,670
City of Lordsburg's covered-employee payroll	\$ 386,866	\$ 678,412	\$ 636,106	\$ 421,217
City of Lordsburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	276.59%	195.98%	138.79%	158.03%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

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

See independent auditors' report
See notes to required supplementary information

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 61,975	\$ 58,179	\$ 65,513	\$ 61,452
Contributions in relation to the contractually required contribution	<u>61,975</u>	<u>58,179</u>	<u>65,513</u>	<u>61,452</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	851,947	972,387	1,109,539	920,396
Contributions as a percentage of covered-employee payroll	7.27%	5.98%	5.90%	6.68%

* 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 will present information for those years for which information is available.

See independent auditors' report
See notes to required supplementary information

STATE OF NEW MEXICO
CITY OF LORDSBURG HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 9,388	\$ 8,415	\$ 8,877	\$ 9,498
Contributions in relation to the contractually required contribution	<u>9,388</u>	<u>8,415</u>	<u>8,877</u>	<u>9,498</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City Housing Authority's covered-employee payroll	128,618	169,951	166,348	145,418
Contributions as a percentage of covered-employee payroll	7.30%	4.95%	5.34%	6.53%

* 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 will present information for those years for which information is available.

See independent auditors' report
See notes to required supplementary information

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal Police Division
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 75,208	77,892	62,646	68,003
Contributions in relation to the contractually required contribution	<u>75,208</u>	<u>77,892</u>	<u>62,646</u>	<u>68,003</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	386,866	678,412	636,106	421,217
Contributions as a percentage of covered-employee payroll	19.44%	11.48%	9.85%	16.14%

* 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 will present information for those years for which information is available.

See independent auditors' report
See notes to required supplementary information

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

SPECIAL REVENUE FUNDS

ROAD FUND - to account for the distribution of gasoline taxes and motor vehicle registration fees to the City and the expenditure for construction, reconstruction, resurfacing or other improvements or maintenance of public roads as authorized by NMSA 1978 Section 7-24A-5.

FIRE - To account for the operations and maintenance of the Fire Department which is financed by a specific allotment from the State Fire Marshal's Office. (NMSA 59A-53-I).

CORRECTIONS - To account for the provisions of a local corrections fee collected with local fines. (NMSA 35-14-11).

LAW ENFORCEMENT - To account for the proceeds of a State grant provided for the purchase and repair of equipment as well as specialized training of police personnel. (NMSA 29-13-3).

CEMETERY - To account for the operations and maintenance of the cemetery. Financing is provided primarily by sale of burial permits. (NMSA 3-40-9 and City Resolution).

LODGERS TAX FUND - To promote tourist operations in the City. Financing is provided by a special lodger's tax charged in transit lodging in the City. (NMSA 3-38-13)

RECREATION - To account for the operations of certain recreational activities in the City. Financing is provided by State shared taxes and charges for services. (NMSA 7-12-15).

SPECIAL EVENTS CENTER - To account for the provisions of entertainment facilities to the residents of the City and Hidalgo County.

DRUG COURT - To account for the fiscal administrator activity for the drug court.

PETSMART GRANT - To account for the proceeds of a grant provided for the administration of a spay/neuter program.

CRIME STOPPERS - To account for the fiscal administrator activity for the crime stoppers program.

CAPITAL PROJECTS FUNDS LISTING

CDBG WATER PROJECT - To account for the 2007 water line improvements. Authorized by U. S. Department of Housing and Urban Development, CDBG Grant #05-C-NR-I-7-G-16.

2007-2008 COOP - To account for the revenues and expenditures for the Wabash Street fund. Authorized by State Appropriation# SPGA-7523(205).

WASTE WATER REUSE PROJECT - To account for State and Federal funds to rehabilitate wastewater treatment plant.

WASTE FUND PROJECT - To account for the construction of the water treatment plant and waterline improvements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

DEBT SERVICE FUNDS LISTING

DEBT SERVICE 2001 -To account for the payment of the 2001 Gross Receipts Tax Revenue Bonds. Financing is provided by Lodger's Tax and Gross Receipts Tax collected.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2018**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 234,426	238,124	274,392	746,942
Investments	513,803	152,896	-	666,699
Receivables				
Taxes receivable	54,647	-	-	54,647
Total assets	<u>802,876</u>	<u>391,020</u>	<u>274,392</u>	<u>1,468,288</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 802,876</u>	<u>391,020</u>	<u>274,392</u>	<u>1,468,288</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ 100	-	-	100
Due to other fund	-	1,071	-	1,071
Total liabilities	<u>100</u>	<u>1,071</u>	<u>-</u>	<u>1,171</u>
Deferred Inflows of Resources:				
"Unavailable" revenues	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	694,994	389,949	274,392	1,359,335
Committed	107,782	-	-	107,782
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>802,776</u>	<u>389,949</u>	<u>274,392</u>	<u>1,467,117</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 802,876</u>	<u>391,020</u>	<u>274,392</u>	<u>1,468,288</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Totals</u>
Revenues:				
Taxes				
Gross receipts	\$ 232,729	-	-	232,729
Other	208,232	-	-	208,232
Licenses and permits	5,096	-	-	5,096
Charges for services	63,457	-	-	63,457
Intergovernmental revenue				
State grants	108,833	-	-	108,833
Other grants	30,000	-	-	30,000
Interest income	94	-	1,036	1,130
Miscellaneous income	718	-	-	718
Total revenues	<u>649,159</u>	<u>-</u>	<u>1,036</u>	<u>650,195</u>
Expenditures:				
Current:				
General government	-	6	693	699
Public safety	109,359	-	-	109,359
Public works	180,783	5,240	-	186,023
Culture and recreation	284,419	-	-	284,419
Health and welfare	11,667	-	-	11,667
Capital outlay	1,721	-	-	1,721
Debt service				
Principal	19,958	4,000	75,000	98,958
Interest	2,387	9,957	5,461	17,805
Total expenditures	<u>610,294</u>	<u>19,203</u>	<u>81,154</u>	<u>710,651</u>
Excess (deficiency) of revenues over (under) expenditures	38,865	(19,203)	(80,118)	(60,456)
Other financing sources (uses):				
Transfers in	182,000	76,000	153,434	411,434
Transfers out	(208,000)	-	(75,705)	(283,705)
Total other financing sources (uses):	<u>(26,000)</u>	<u>76,000</u>	<u>77,729</u>	<u>127,729</u>
Net change in fund balances	12,865	56,797	(2,389)	67,273
Beginning fund balance	<u>789,911</u>	<u>333,152</u>	<u>276,781</u>	<u>1,399,844</u>
Ending fund balance	<u>\$ 802,776</u>	<u>389,949</u>	<u>274,392</u>	<u>1,467,117</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
As of June 30, 2018**

	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Cor- rections Fund</u>	<u>Law Enforce- ment Fund</u>	<u>Ceme- tery Fund</u>	<u>Lodgers' Tax</u>
Assets and deferred inflows of resources:						
Assets:						
Cash and cash equivalents	\$ 468	49,369	24,246	2,326	-	821
Investments	255,000	-	-	-	46,803	212,000
Receivables						
Taxes receivable	36,520	-	-	-	-	18,127
Total assets	<u>291,988</u>	<u>49,369</u>	<u>24,246</u>	<u>2,326</u>	<u>46,803</u>	<u>230,948</u>
Deferred Outflows of Resources:						
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 291,988</u>	<u>49,369</u>	<u>24,246</u>	<u>2,326</u>	<u>46,803</u>	<u>230,948</u>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Accounts payable	\$ -	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:						
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	291,988	49,369	24,246	2,326	46,803	230,947
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>291,988</u>	<u>49,369</u>	<u>24,246</u>	<u>2,326</u>	<u>46,803</u>	<u>230,947</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 291,988</u>	<u>49,369</u>	<u>24,246</u>	<u>2,326</u>	<u>46,803</u>	<u>230,947</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
As of June 30, 2018**

	Rec- reation Fund	Special Events Center	Drug Court	Petsmart Grant	Crime Stoppers	Total
Assets and deferred inflows of resources:						
Assets:						
Cash and cash equivalents	\$ 6,455	107,782	2,600	22,100	18,259	234,426
Investments	-	-	-	-	-	513,803
Receivables						
Taxes receivable	-	-	-	-	-	54,647
Total assets	<u>6,455</u>	<u>107,782</u>	<u>2,600</u>	<u>22,100</u>	<u>18,259</u>	<u>802,876</u>
Deferred Outflows of Resources:						
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 6,455</u>	<u>107,782</u>	<u>2,600</u>	<u>22,100</u>	<u>18,259</u>	<u>802,876</u>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Accounts payable	\$ -	-	100	-	-	100
Total liabilities	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
Deferred Inflows of Resources:						
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	6,456	-	2,500	22,100	18,259	694,994
Committed	-	107,782	-	-	-	107,782
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>6,456</u>	<u>107,782</u>	<u>2,500</u>	<u>22,100</u>	<u>18,259</u>	<u>802,776</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 6,456</u>	<u>107,782</u>	<u>2,600</u>	<u>22,100</u>	<u>18,259</u>	<u>802,876</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
As of June 30, 2018**

	<u>CDBG Funds</u>	<u>2017 CDBG Funds</u>	<u>2007-2008 Co-Op</u>	<u>Waste Water Reuse Fund</u>	<u>Water Project Fund</u>	<u>Totals</u>
Assets and deferred inflows of resources:						
Assets:						
Cash and cash equivalents	\$ 42,313	59,000	34,075	102,736	-	238,124
Investments	-	-	-	152,896	-	152,896
Total assets	<u>42,313</u>	<u>59,000</u>	<u>34,075</u>	<u>255,632</u>	<u>-</u>	<u>391,020</u>
Deferred Outflows of Resources:						
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 42,313</u>	<u>59,000</u>	<u>34,075</u>	<u>255,632</u>	<u>-</u>	<u>391,020</u>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Due to other fund	\$ 1,071	-	-	-	-	1,071
Total liabilities	<u>1,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071</u>
Deferred Inflows of Resources:						
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	41,242	59,000	34,075	255,632	-	389,949
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>41,242</u>	<u>59,000</u>	<u>34,075</u>	<u>255,632</u>	<u>-</u>	<u>389,949</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 42,313</u>	<u>59,000</u>	<u>34,075</u>	<u>255,632</u>	<u>-</u>	<u>391,020</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
As of June 30, 2018**

	<u>Debt Service Fund</u>	<u>Debt Service Fund - NMFA</u>	<u>Totals</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 273,932	460	274,392
Total assets	<u>273,932</u>	<u>460</u>	<u>274,392</u>
Deferred Outflows of Resources:			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 273,932</u>	<u>460</u>	<u>274,392</u>
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Total liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	273,932	460	274,392
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>273,932</u>	<u>460</u>	<u>274,392</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 273,932</u>	<u>460</u>	<u>274,392</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018**

	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Cor- rections Fund</u>	<u>Law Enforce- ment Fund</u>	<u>Ceme- tery Fund</u>	<u>Lodgers' Tax</u>
Revenues:						
Taxes						
Gross receipts	\$ 232,729	-	-	-	-	-
Other	-	-	-	-	-	208,232
Licenses and permits	-	-	-	-	5,096	-
Charges for services	-	-	21,226	-	8,034	-
Intergovernmental revenue						
State grants	-	83,433	-	25,400	-	-
Interest income	-	94	-	-	-	-
Miscellaneous income	25	-	-	-	-	-
Total revenues	<u>232,754</u>	<u>83,527</u>	<u>21,226</u>	<u>25,400</u>	<u>13,130</u>	<u>208,232</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	27,032	59,000	23,327	-	-
Public works	180,783	-	-	-	-	-
Culture and recreation	-	-	-	-	-	196,825
Health and welfare	-	-	-	-	11,667	-
Capital outlay	-	1,721	-	-	-	-
Debt service						
Principal	-	19,958	-	-	-	-
Interest	-	2,387	-	-	-	-
Total expenditures	<u>180,783</u>	<u>51,098</u>	<u>59,000</u>	<u>23,327</u>	<u>11,667</u>	<u>196,825</u>
Excess (deficiency) of revenues over (under) expenditures	51,971	32,429	(37,774)	2,073	1,463	11,407
Other financing sources (uses):						
Transfers in	-	-	-	-	16,000	120,000
Transfers out	(5,000)	-	-	-	-	(201,000)
Total other financing sources (uses):	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>(81,000)</u>
Net change in fund balances	46,971	32,429	(37,774)	2,073	17,463	(69,593)
Beginning fund balance	<u>245,017</u>	<u>16,940</u>	<u>62,020</u>	<u>253</u>	<u>29,340</u>	<u>300,540</u>
Ending fund balance	<u>\$ 291,988</u>	<u>49,369</u>	<u>24,246</u>	<u>2,326</u>	<u>46,803</u>	<u>230,947</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018**

	Rec- reation Fund	Special Events Center	Drug Court	Petsmart Grant	Crime Stoppers	Total
Revenues:						
Taxes						
Gross receipts	\$ -	-	-	-	-	232,729
Other	-	-	-	-	-	208,232
Licenses and permits	-	-	-	-	-	5,096
Charges for services	11,066	2,700	752	1,420	18,259	63,457
Intergovernmental revenue						
State grants	-	-	-	-	-	108,833
Other grants	-	-	-	30,000	-	30,000
Interest income	-	-	-	-	-	94
Miscellaneous income	693	-	-	-	-	718
Total revenues	<u>11,759</u>	<u>2,700</u>	<u>752</u>	<u>31,420</u>	<u>18,259</u>	<u>649,159</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	109,359
Public works	-	-	-	-	-	180,783
Culture and recreation	65,655	11,042	1,577	9,320	-	284,419
Health and welfare	-	-	-	-	-	11,667
Capital outlay	-	-	-	-	-	1,721
Debt service						
Principal	-	-	-	-	-	19,958
Interest	-	-	-	-	-	2,387
Total expenditures	<u>65,655</u>	<u>11,042</u>	<u>1,577</u>	<u>9,320</u>	<u>-</u>	<u>610,294</u>
Excess (deficiency) of revenues over (under) expenditures	(53,896)	(8,342)	(825)	22,100	18,259	38,865
Other financing sources (uses):						
Transfers in	26,000	20,000	-	-	-	182,000
Transfers out	-	(2,000)	-	-	-	(208,000)
Total other financing sources (uses):	<u>26,000</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,000)</u>
Net change in fund balances	(27,896)	9,658	(825)	22,100	18,259	12,865
Beginning fund balance	<u>34,352</u>	<u>98,124</u>	<u>3,325</u>	<u>-</u>	<u>-</u>	<u>789,911</u>
Ending fund balance	<u>\$ 6,456</u>	<u>107,782</u>	<u>2,500</u>	<u>22,100</u>	<u>18,259</u>	<u>802,776</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018**

	<u>CDBG Funds</u>	<u>2017 CDBG Funds</u>	<u>2007- 2008 Co-Op</u>	<u>Waste Water Reuse Fund</u>	<u>Water Project Fund</u>	<u>Totals</u>
Revenues:						
Miscellaneous income	\$ -	-	-	-	-	-
Total revenues	-	-	-	-	-	-
Expenditures:						
Current:						
General government	-	-	6	-	-	6
Public safety	-	-	-	-	-	-
Public works	5,180	-	-	-	60	5,240
Culture and recreation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	-	4,000	-	4,000
Interest	-	-	-	9,957	-	9,957
Total expenditures	<u>5,180</u>	<u>-</u>	<u>6</u>	<u>13,957</u>	<u>60</u>	<u>19,203</u>
Excess (deficiency) of revenues over (under) expenditures	(5,180)	-	(6)	(13,957)	(60)	(19,203)
Other financing sources (uses):						
Transfers in	-	59,000	-	17,000	-	76,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>59,000</u>	<u>-</u>	<u>17,000</u>	<u>-</u>	<u>76,000</u>
Net change in fund balances	(5,180)	59,000	(6)	3,043	(60)	56,797
Beginning fund balance	<u>46,422</u>	<u>-</u>	<u>34,081</u>	<u>252,589</u>	<u>60</u>	<u>333,152</u>
Ending fund balance	<u>\$ 41,242</u>	<u>59,000</u>	<u>34,075</u>	<u>255,632</u>	<u>-</u>	<u>389,949</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018**

	<u>Debt Service Fund</u>	<u>Debt Service Fund - NMFA</u>	<u>Totals</u>
Revenues:			
Interest income	\$ 1,036	-	1,036
Miscellaneous income	-	-	-
Total revenues	<u>1,036</u>	<u>-</u>	<u>1,036</u>
Expenditures:			
Current:			
Debt service			
Principal	75,000	-	75,000
Interest	5,461	-	5,461
Total expenditures	<u>81,154</u>	<u>-</u>	<u>81,154</u>
Excess (deficiency) of revenues over (under) expenditures	(80,118)	-	(80,118)
Other financing sources (uses):			
Transfers in	83,730	69,704	153,434
Transfers out	-	(75,705)	(75,705)
Total other financing sources (uses):	<u>83,730</u>	<u>(6,001)</u>	<u>77,729</u>
Net change in fund balances	3,612	(6,001)	(2,389)
Beginning fund balance	<u>270,320</u>	<u>6,461</u>	<u>276,781</u>
Ending fund balance	<u>\$ 273,932</u>	<u>460</u>	<u>274,392</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Grant Number</u>	<u>Federal Awards Expended</u>	<u>Payments to Sub- recipients</u>
U.S. Department of Homeland Security				
Passed through NM Department of Homeland Security and Hidalgo County				
Homeland Security Grant Program	97.067	EMW-2017-SS-00152-801 - Hidalgo County	220,570	-
U.S. Department of Transportation				
Passed through NM Department of Transportation				
Airport Improvement Program	20.106	3-35-0026-018-2017	142,342	-
Highway Planning and Construction	20.205	COOP CN 1101090	2,975	-
Department of Housing and Urban Development				
Public Housing Capital Fund	14.872	NM02P034501-13	145,464	-
Public and Indian Housing	14.850	NM034-00000114D	592,096	-
Total			<u>\$ 1,103,447</u>	<u>-</u>

* Major program

Note 1 - Basis of Presentation

The above Schedule of Expenditures of federal awards includes the federal grant activity of the City of Lordsburg and is presented on the accrual basis of accounting (see Note 1). There were no funds expended in the form of non-cash assistance for the grants during the year. The information in this schedule is presented in accordance with the requirements of the Uniform guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in preparation of the basic financial statements.

Note 2 - Sub-recipients

The City did not provide any federal awards to sub-recipients during the year.

Note 2 - Federally Funded Loans

The City has no federally funded loans or loan guarantee programs as of June 30, 2018.

Note 3 - 10% de minimus Indirect Cost Rate

The City did not elect to use the allowed 10% indirect cost rate.

Note 4 - Federally Funded Insurance

The City has no federally funded insurance.

Note 5 - Reconciliation to financial statements

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,103,447
Total expenditures funded by other sources	<u>6,872,659</u>
Total expenditures of governmental and proprietary funds	<u>\$ 7,976,106</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FUND BALANCES
As of June 30, 2018**

	<u>Major Funds</u>		<u>Total Non- Major Funds</u>	<u>Total Funds</u>
	<u>General Fund</u>	<u>Cap Projects Water Project Fund</u>		
Fund Balances:				
Nonspendable:				
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Subtotal nonspendable funds	\$ -	-	-	-
Restricted for:				
Operate/maintain recreational facilities	-	-	6,456	6,456
Economic development efforts		-	230,947	230,947
Various capital project efforts	-	78,446	389,949	468,395
Road improvements	-	-	291,988	291,988
Debt service requirements	-	-	274,392	274,392
Fire fighting efforts/equipment	-	-	49,369	49,369
Public safety and law enforcement efforts	-	-	47,331	47,331
Operate/maintain cemetery	-	-	46,803	46,803
Animal welfare programs	-	-	22,100	22,100
Subtotal restricted funds	-	78,446	1,359,335	1,437,781
Committed to:				
Operate/maintain recreational facilities	-	-	107,782	107,782
DFA required reserves	298,193	-	-	298,193
Subtotal committed funds	298,193	-	107,782	405,975
Assigned to:				
Subtotal assigned funds	-	-	-	-
Unassigned	1,040,765	-	-	1,040,765
	\$ 1,338,958	78,446	1,467,117	2,884,521

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF DEPOSITORIES
As of June 30, 2018**

<u>Account name</u>	<u>Type</u>	<u>Western Bank</u>	<u>NMFA</u>	<u>Plus Deposits in Transit</u>	<u>Less O/S Checks</u>	<u>Balance Per Books</u>
General operating	CK*	\$ 549,541	-	-	(95,843)	453,698
Solid waste reserve	CK*	986	-	-	-	986
Bond account	CK*	454	-	-	-	454
CDBG 2009 water impr	CK*	1,087	-	-	-	1,087
CDBG 2017 water impr	CK*	59,000	-	-	-	59,000
Crime Stoppers Acct	CK*	18,259	-	-	-	18,259
USDA Water reuse project	CK*	47,973	-	-	-	47,973
WW debt service	CK*	13,654	-	-	-	13,654
Debt service	CK*	255,865	-	6,562	-	262,427
Housing - CFP Account	CK	12,945	-	-	-	12,945
Housing - General account	CK*	27,665	-	-	(28,969)	(1,304)
Housing - Security deposits	CK	10,768	-	-	-	10,768
Housing - Overnight account	MMKT	67	-	-	-	67
City CDs	CD*	4,807,576	-	-	-	4,807,576
NMFA Debt service reserves	CK*	-	161,990	-	-	161,990
Total cash and equivalents		<u>5,805,840</u>	<u>161,990</u>	<u>6,562</u>	<u>(124,812)</u>	<u>5,849,580</u>
Total amount on deposit		5,805,840	161,990	<u>6,562</u>	<u>(124,812)</u>	<u>5,849,580</u>
FDIC coverage		<u>(250,000)</u>	<u>(250,000)</u>			
Total uninsured public funds		5,555,840	(88,010)			
50% collateral requirement (Section 6-10-17 NMSA-1978)		2,777,920	-			
Pledge security		2,972,069	-			
See NMFA audited financials			-			
Amount (over)/under collateralized		<u>\$ (194,149)</u>	<u>-</u>			

* denotes interest bearing account

STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY
As of June 30, 2018

Cusip ID	Description/ Maturity	Coupon	S&P Rating	Pledged Percent	Pledged		
					Par	Market Value	
Western Bank - For City of Lordsburg							
<i>Safekeeping Location - FHLB: Fed Home Loan Bank</i>							
189414HN8	CLOVIS N MEX SCHOOL DISTRICT SERIES 2011 8/1/2025	3.50	N/A	100%	500,000	515,035	
297326EG1	ESTANCIA N MEX SCHOOL DISTRICT GO BONDS SERIES 2010 6/15/2022	3.50	N/A	100%	50,000	53,805	
362550KR5	GADSDEN N MEX INDPT SCH DIST NO 016 SCH BLDG-SER A 8/15/2023	3.75	N/A	100%	350,000	350,599	
429308DG1	HIDALGO CNTY N MEX MUN SCH DIST NO 001 10/1/2018	4.10	N/A	100%	120,000	120,259	
545562QX1	LOS LUNAS SCHOOL DISTRICT GO BONDS 7/15/2023	2.70	N/A	100%	675,000	695,574	
581615DJ7	MC KINLEY CNTY N MEX GROSS RCPTS TAX REV IMPT 6/1/2023	4.00	N/A	100%	340,000	352,345	
801889LT1	SANTA FE CNTY N MEX 7/1/2021	4.00	AA	100%	250,000	256,180	
82750PAL8	SILVER CITY, N MEX GROSS RECEIPTS TAX IMPR SERIES 2011A 6/1/2022	3.25	AA+	100%	250,000	254,508	
833679CC5	SOCORRO CNTY NM 8/1/2025	2.50	A+	100%	380,000	373,764	
					\$	<u>2,915,000</u>	<u>2,972,069</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING
As of June 30, 2018**

Transfer Station

Participants:	County of Hidalgo and City of Lordsburg
Responsible party:	County of Hidalgo
Description	This agreement was entered into to provide for operation of a regional transfer station.
Period:	Perpetual
Project costs:	Undeterminable
County contributions:	Undeterminable
Audit responsibility:	County of Hidalgo

**STATE OF NEW MEXICO
CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
For the Year Ended June 30, 2018**

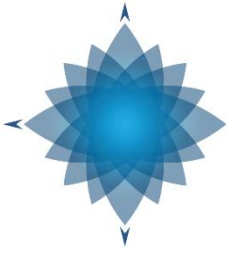
Line Item	Description	Low Rent 14.850	CFP 14.872	Total
111	Cash-unrestricted	\$ (1,237)	12,945	11,708
114	Cash-tenant security deposits	10,768	-	10,768
100	Total cash	<u>9,531</u>	<u>12,945</u>	<u>22,476</u>
122	Accounts receivable - HUD other projects	533,486	78,266	611,752
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable - tenants	83,518	-	83,518
126.1	Allowance for doubtful accounts – tenants	-	-	-
120	Total receivables, net of allowance for doubtful accounts	<u>617,004</u>	<u>78,266</u>	<u>695,270</u>
131	Investments - Unrestricted	-	-	-
144	Inter-Program due from	-	20,909	20,909
150	Total current assets	<u>626,535</u>	<u>112,120</u>	<u>738,655</u>
161	Land	100,000	-	100,000
162	Buildings	4,975,277	-	4,975,277
164	Furniture, equipment and machinery - administration	122,909	-	122,909
166	Accumulated depreciation	(3,511,191)	-	(3,511,191)
160	Total capital assets, net of a/d	<u>1,686,995</u>	<u>-</u>	<u>1,686,995</u>
190	Total Assets	<u>2,313,530</u>	<u>112,120</u>	<u>2,425,650</u>
200	Deferred outflows of resources	<u>32,397</u>	<u>-</u>	<u>32,397</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 2,345,927</u>	<u>112,120</u>	<u>2,458,047</u>
312	Accounts payable <= 90 days	\$ 8,330	78,266	86,596
321	Accrued wage/payroll taxes payable	-	-	-
322	Accrued compensated absences - current portion	4,163	-	4,163
333	Accounts payable - other government	22,150	-	22,150
341	Tenant security deposits	10,768	-	10,768
347	Inter-program due to	20,909	-	20,909
310	Total current liabilities	<u>66,320</u>	<u>78,266</u>	<u>144,586</u>
354	Accrued compensated absences - non-current	344	-	344
357	Accrued Pension and OPEB Liabilities	137,408	-	137,408
300	Total liabilities	<u>204,072</u>	<u>78,266</u>	<u>282,338</u>
400	Deferred Inflows of Resources	<u>24,196</u>	<u>-</u>	<u>24,196</u>
508.1	Invested in capital assets, net of related debt	1,686,995	-	1,686,995
511.4	Restricted net position	10,768	20,909	31,677
512.4	Unrestricted net position	419,896	12,945	432,841
513	Total equity- net position	<u>2,117,659</u>	<u>33,854</u>	<u>2,151,513</u>
600	Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,345,927</u>	<u>112,120</u>	<u>2,458,047</u>

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
For the Year Ended June 30, 2018**

<u>Line Item</u>	<u>Description</u>	<u>Low Rent 14.850</u>	<u>CFP 14.872</u>	<u>Total</u>
70300	Net tenant rental revenue	\$ 238,435	-	238,435
70500	Total tenant revenue	238,435	-	238,435
70600	HUD PHA operating grants	289,221	-	289,221
70610	Capital grants	-	158,409	158,409
71100	Investment income - unrestricted	1,150	-	1,150
71500	Other revenue	4,944	-	4,944
70000	Total revenue	<u>533,750</u>	<u>158,409</u>	<u>692,159</u>
91100	Administrative salaries	57,663	-	57,663
91200	Auditing fees	4,000	-	4,000
91500	Employee benefit contributions - administrative	38,552	-	38,552
91900	Other	54,800	-	54,800
91000	Total operating – administrative	<u>155,015</u>	<u>-</u>	<u>155,015</u>
93100	Water	74,196	-	74,196
93200	Electricity	(1,894)	-	(1,894)
93300	Gas	42,767	-	42,767
93600	Sewer	34,443	-	34,443
93800	Other utilities expense	23,317	-	23,317
93000	Total utilities	<u>172,829</u>	<u>-</u>	<u>172,829</u>
94100	Ordinary maintenance and operations - labor	92,809	-	92,809
94200	Ordinary maintenance and operations-materials	17,647	145,464	163,111
94300	Ordinary maintenance and operations contracts	47,400	-	47,400
94000	Total maintenance and operations	<u>157,856</u>	<u>145,464</u>	<u>303,320</u>
96140	All other insurance	-	-	-
96100	Total insurance premium	-	-	-
96200	Other general expenses	19,887	-	19,887
96900	Total operating expenses	<u>505,587</u>	<u>145,464</u>	<u>651,051</u>
97000	Excess revenues over operating expenses	28,163	12,945	41,108
97400	Depreciation expense	86,509	-	86,509
90000	Total expenses	<u>592,096</u>	<u>145,464</u>	<u>737,560</u>
100.1	Operating transfers in	-	-	-
100.2	Operating transfers out	-	-	-
101	Total other financing sources (uses)	-	-	-
10000	Excess (deficiency) of revenues over (under) expenses	(58,346)	12,945	(45,401)
11030	Beginning net position	2,176,005	20,909	2,196,914
11040-10	Prior Period Adjustments	-	-	-
	Net position at end of year	<u>\$ 2,117,659</u>	<u>33,854</u>	<u>2,151,513</u>

See independent auditor's report.



**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 Auditor's Report

Wayne Johnson,
New Mexico State Auditor
The City Council
City of Lordsburg, 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 comparisons of the general fund and major special revenue funds of the City of Lordsburg, State of New Mexico, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and the combining and individual funds and related budgetary comparisons of the City, presented as supplementary information, and have issued our report thereon dated December 12, 2018.

Internal Control over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2017-001, 2018-001, 2018-006, 2018-007, and 2018-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, 2018-004, and 2018-005.

City of Lordsburg, State of New Mexico's Response to Findings

City of Lordsburg, State of New Mexico's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

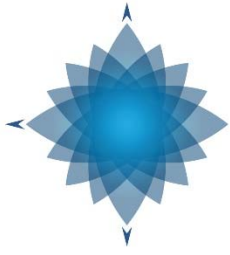
Purpose of this Report

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

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

December 12, 2018



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

Independent Auditor's Report

Wayne Johnson,
New Mexico State Auditor
The City Council
City of Lordsburg, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Lordsburg, State of New Mexico's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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'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's compliance.

Basis for Qualified Opinion on CFDA 14.850 Public and Indian Housing

As described in the accompanying schedule of findings and questioned costs, the City of Lordsburg did not comply with requirements regarding CFDA 14.850 Public and Indian Housing as described in finding number 2018-007 for Eligibility and 2018-008 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the City of Lordsburg to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.850 Public and Indian Housing

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Lordsburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.850 Public and Indian Housing for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the City of Lordsburg, State of 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-007 and 2018-008 to be material weaknesses.

City of Lordsburg's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Lordsburg's response

was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe 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.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

December 12, 2018

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements:

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

Federal Awards:

- | | |
|---|---------------------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditors' report issued on compliance for major programs | Qualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance? | No |
| 4. Identification of major programs: | |
| CFDA | |
| <u>Number</u> | <u>Federal Program</u> |
| 14.850 | Public and Indian Housing |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II FINDINGS – FINANCIAL STATEMENTS

<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Financial Statement Finding</u>	<u>Federal Awards Finding</u>
Financial Statement Findings			
Prior Year Findings			
2017-001 – MAINTENANCE OF HOUSING GENERAL LEDGER	Modified/repeated	Yes	No
Current Year Findings			
2018-001 – HOUSING AUTHORITY RECEIVABLES	Current	Yes	No
2018-002 – TRAVEL AND PER DIEM	Current	Yes	No
2018-003 – ADMINISTRATION OF COMPENSATED ABSENCES	Current	Yes	No
2018-004 – PERA CALCULATIONS	Current	Yes	No
2018-005 – MUNICIPAL COURT CASH ACCOUNT	Current	Yes	No
2018-006 – HOUSING AUTHORITY SECURITY DEPOSITS	Current	Yes	No
Federal Award Findings			
Current Year Findings			
2018-007 – TENANT FILES	Current	No	Yes
2018-008 – CREDIT CARD PURCHASES	Current	No	Yes

FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS

2017-001 – MAINTENANCE OF HOUSING GENERAL LEDGER – Material weakness – Repeated/Modified

Statement of Condition

While performing work at the City’s Housing Authority, it was noted that the Authority was not maintaining its general ledger in a timely manner. The Authority’s fee accountant was several months behind in making entries and adjustments to the general ledger. Based on a trial balance obtained at the time of fieldwork on August 2, 2018 and a second trial balance obtained in late-November 2018 once the Authority’s balances had been finalized by the fee accountant, a total of \$402,629.73 additional expenses and \$117,392.98 in additional revenues were added to the Authority’s general ledger after the initial trial balance was obtained.

This is a repeat finding from the prior year. The City’s Housing Authority did not make significant progress in addressing the finding. Assistance was provided by the City’s Finance Department to Housing for several months, however that appeared to stop in January 2018. It did not appear that Housing’s general ledger had been maintained consistently from that time forward until Western Regional Housing Authority began assisting with the day to day management of the department in September 2018.

Criteria

Monthly maintenance of the Authority’s trial balance in accordance with generally accepted accounting principles (GAAP) helps ensure that timely, accurate, and useful information is available

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

to management and those charged with governance. To provide accurate financial reports, general ledger accounts should be maintained and reconciled timely.

Effect

The Authority and those charged with governance are limited in their ability to make decisions using current financial data due to the untimely entry of material transactions into the general ledger.

Cause

The Authority relied on its fee accountant for significant assistance in maintaining the general ledger. Due to unknown causes, the accountant was not able to maintain the general ledger in a timely manner.

Recommendation

We recommend that the Authority examine its current process and identify how the entity's books and records could be maintained in a timely manner.

Response

The City of Lordsburg has contracted Western Regional Housing Authority to manage the Lordsburg Housing Authority. As of October 2018 they are continuously working to correct the general ledger and provide accurate financials to the Lordsburg Housing Commission. The fee accountant that was contracted through this fiscal year provided some information but will no longer be contracted with the Lordsburg Housing Authority. Management at Western Regional Housing Authority will oversight the accounting process and ensure compliance.

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

2018-001 – HOUSING AUTHORITY RECEIVABLES – Material weakness

Statement of Condition

While performing work at the City's Housing Authority, it was noted that the Authority was not effectively tracking all of its tenant rent receivables. In September 2018, when Western Regional Housing Authority began assisting with the day to day management of the department, it was identified that several tenants still owed rent payments from previous months and did not have documented payment plans in place. Discussion with Western's personnel indicated that several tenants were multiple months behind and Housing personnel were unable to provide documentation to support the steps that had been taken to resolve the issue in accordance with HUD requirements. Additionally, per current Authority management, several tenants have indicated that they made payments on their late rent, however these payments could not be verified in the accounting system due to recordkeeping deficiencies.

We were unable to determine the correct amount of rent still due. As a result, we modified our opinion related to these balances.

Criteria

Per OMB 2 CFR Section 200.62, "Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

6.20.2.13(D) NMAC, states the City is required to prepare accurate account balances for financial presentation.

Effect

The Authority is unable to identify the total amount of rent due from tenants.

Cause

The Authority’s Director would seemingly make verbal agreements with tenants on the repayment of late rent and did not document these agreements.

Recommendation

We recommend that the Authority examine its current process for identifying and tracking tenant receivables to determine the correct amount still owed to the Authority. All current and future payment plan agreements should be documented and approved by senior management.

Response

As of October 2018, Western Regional Housing Authority has already reassessed all tenant files. All tenants were required to provide documentation necessary to determine their monthly rent. Any tenants behind on rent have either provided full payments or have made payment arrangements to pay their overdue accounts. Management at Western Regional Housing Authority will oversight the accounting process and ensure compliance.

2018-002 – TRAVEL AND PER DIEM – Finding that does not rise to the level of a significant deficiency

Statement of Condition

During the course of the audit, we performed tests of travel and per diem expenditures. Our sample contained the following discrepancies:

- The City was not requiring the employees to sign their travel vouchers prior submittal for approval/payment. This was observed in all vouchers tested.
- The traveling employees were not recording their leaving and arrival time. This was input by finance personnel based on their understanding/expectations of when the employee would leave and return. This was observed in all vouchers tested. Discussion with employee suggested she would look at where the employee was traveling to and when they needed to be there and would record the leaving and arriving time based on that analysis.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

- There was one instance where partial day for overnight travel was miscalculated. The total amount overpaid to employees was \$18.

Criteria

The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Effect

Non-compliance with the state of New Mexico's Per Diem and Mileage Act subjects' officials and employees to penalties as required by state statutes.

Cause

The City staff did not have a complete understanding of the Per Diem and Mileage Act.

Recommendation

We recommend the City review the Per Diem and Mileage Act to ensure compliance with the Act. Further, we recommend City re-evaluate its internal control procedures over the calculation and reimbursement amounts for employee travel and per diem.

Response

City of Lordsburg has implemented changes for employees on travel and per diem. Effective November 2018, employees now will provide the dates and times of their travel. They are also signing the required travel form to show responsibility of their travel. Staff has retrained on travel and per diem statute to ensure we are complying with state law. The City Clerk will oversee this process in cooperation with the Finance Director.

2018-003 – ADMINISTRATION OF COMPENSATED ABSENCES – Finding that does not rise to the level of a significant deficiency

Statement of Condition

During the course of the audit, it was alleged that the City did not have a clear policy related to compensated absences and whether employees should be permitted to use annual/sick leave prior to it being "earned" for a given year.

We examined 15 employees to determine if leave was permitted to be over used. We did not note any instances of this occurring in the employees tested. During these procedures, however it was noted that one employee was part-time and was earning leave at the full-time rate (3.08 hours per PP) instead of the applicable part-time rate (1.54 hours per PP).

Criteria

City of Lordsburg Personnel Policies Section 7-3 – *Full time employees shall accrue annual leave from their date of hire, and such vacation shall be credited for each bi-weekly pay period in which the*

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

employee received pay in accordance with the following schedule. Regular part-time employees, who is scheduled twenty to thirty-two hours each week shall accrue one half of the same amount.

Effect

The City was not in compliance with its annual leave policy. Employees were granted leave time, they were not entitled to.

Cause

The City Finance Department did not identify the employee as part-time when the compensated absence earning was set up for the employee.

Recommendation

We recommend that the City review its current annual leave benefits to employees to ensure all employees are earning leave at the appropriate rate. We also recommend the City review its compensated absence policies and ensure that they clearly indicate when leave can be used.

Response

City of Lordsburg has corrected the part time employee's accrual for annual and sick leave as of December 12, 2018. The staff will periodically verify annual and sick leave accruals are correct. The Finance Director will oversee this process.

2018-004 – PERA CALCULATIONS – Finding that does not rise to the level of a significant deficiency

Statement of Condition

While performing test work related to PERA we identified three employees that were having PERA withheld at the under \$20,000 rate instead of the normal PERA rate. We also identified seven pay periods throughout the year ended June 30, 2018 that there appeared to be miscalculations in the amounts PERA withholdings and employer expenses. The cumulative underpayments totaled an estimated \$1,115.22.

Criteria

Sections 10-11-1 to 10-11-141 NMSA 1978 set forth required contribution percentages for the employer and employee for various retirement plans.

Effect

The City under contributed to PERA by an estimated \$1,115.22.

Cause

The City Finance Department did not identify the employees as having earnings placing them in the proper withholding bracket.

Recommendation

We recommend that the City review its current PERA withholding rates for all employees to ensure they are at the correct rate. A review of the amounts submitted to PERA should be performed to ensure the reports are accurate and complete.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Response

City finance department will run periodic checks to ensure PERA is being withheld correctly for all employees. City is also in contact with Caselle to verify the software is correctly calculating PERA. This is expected to be resolved in December 2018. The Finance Director will oversee this process.

2018-005 – MUNICIPAL COURT CASH ACCOUNT – Finding that does not rise to the level of a significant deficiency

Statement of Condition

The cash account maintained by the Municipal Court was not being formally reconciled by City/Court staff. Discussion with the Court Clerk indicated she informally prepared a monthly bank reconciliation and that the Judge would look at it, however this was not a documented process. Additionally, the Finance Department was not receiving a copy of this reconciliation for their records. This was the case for all 12 months in FY18. The balance in the account as of June 30, 2018 was \$0.

Criteria

Bank statements should be reconciled to the balances in the general ledger and subsidiary ledger as requirement by 1978 NMSA 6-10-2 and 6-NMAC-2.2.1.14.11.

Effect

The City is exposed to potential loss if errors on the bank statement are not readily identified.

Cause

The Municipal Court Clerk felt the informal bank reconciliation process was adequate.

Recommendation

We recommend that a formal bank reconciliation be prepared for the all cash accounts, that he reconciliations be reviewed and signed as approved by a person independent of the reconciliation, and that copies of the reconciliations be maintained in the Finance Department.

Response

City of Lordsburg will require the Municipal court to provide monthly bank statements for the Finance Director to track the same as all other accounts that belong to the City. This will be implemented with the December 2018 bank statements and will be oversighted by the Finance Director.

2018-006 – HOUSING AUTHORITY SECURITY DEPOSITS – Material Weakness

Statement of Condition

While conducting audit procedures at the City's Housing Authority discrepancies in the Authorities accounting for tenant security deposits were identified. Based on review of the tenant lease agreement, the standard deposit was \$150. We noted nine active tenants listed as having deposited more that the standard deposit of \$150. We were unable to obtain any evidence as to why a higher amount was charged.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Additionally, per the Authority's security deposits listing, security deposits held for tenants totaled \$20,535, however the balance in the associated security deposit bank account was 10,768 at year end. This suggests that money related to security deposits is not being transferred into the security deposit account timely or that the funds are being utilized for other purposes.

Criteria

Fund collected to be held for others should be thoroughly documented to ensure amounts potentially owed back to tenants are easily identifiable and that the funds are readily available.

Effect

The City is unable to determine what funds are potentially owed to tenants as security deposit refunds.

Cause

The Authority did not document the security deposits beyond the amount listed in the lease agreement.

Recommendation

We recommend that the Authority review the tenant security deposits and determine the specific amounts held for each tenant.

Response

Western Regional Housing Authority is aware of the lease agreements having a security deposit of \$150.00. They are aware the security deposit funds are restricted accounts. They are currently working with the tenants to establish the correct amount of security deposits made by the tenants and will adjust the balances appropriately, as necessary. This process is estimated to be completed by January 2019. Management at Western Regional Housing Authority will oversee this process and ensure compliance going forward.

FEDERAL AWARD FINDINGS

PRIOR YEAR FINDINGS

None

CURRENT YEAR FEDERAL AWARD FINDINGS

2018-007 – TENANT FILES – Material weakness

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development

Title: Public and Indian Housing

CFDA Number: 14.850

Questioned Costs: None

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Statement of Condition

While performing work at the City's Housing Authority, it was noted that 7 of 40 tenant files tested had errors in the calculation of tenant rent. It was also observed that the files were largely disorganized, and documentation required by HUD was not easily identifiable in the files.

Criteria

The Authority has established policies and procedures regarding the retention of tenant information in order to substantiate eligibility as required by the U.S. Department of Housing and Urban Development (24 CFR sections 5.230, 5.601, 5.609, 960.253, 960.255, and 960.259).

24 CFR section 5.230 states that 'as a condition of admission or continued occupancy, *the Authority requires the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility*'.

24 CFR section 5.601 *et seq.* states that the Authority 'determines income eligibility and calculates the tenant's rent payment using the documentation from third party verification'. Furthermore, 24 CFR sections 960.253, 960.257, and 960.259 states that the Authority 'reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification'.

Effect

The Authority is not charging tenants the correct rent rates.

Cause

The individuals completing the calculation of rent were not including all applicable income in the calculation. Files from the Housing Authority lacked proper documentation and management of the Housing Authority did not provide sufficient monitoring to ensure that tenant files were complete.

Recommendation

Management should implement an internal control structure to ensure that all files have the necessary supporting documentation and tenant rent is calculated properly in accordance with HUD requirements.

Response

Western Regional Housing Authority is currently going through each file to organize according to HUD requirements. Any missing documentation or erroneously completed forms are being updated with any missing information being provided by the tenants throughout the process. This is estimated to be completed by January 2019. Management at Western Regional Housing Authority will oversee this process and ensure compliance going forward.

2018-008 – CREDIT CARD PURCHASES – Material weakness

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development

Title: Public and Indian Housing

CFDA Number: 14.850

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Questioned Costs: 6,219.18

Statement of Condition

While performing work at the City's Housing Authority, we were unable to obtain copies of receipts for any transactions put on the departments credit card. Copies of the statements were able to be located, however there was no supporting receipts for the individual transactions. Due to this missing information, we were unable to determine if the purchases were for allowable costs/activities. The total amount of credit card charges that were unsupported was \$6,219.18.

Criteria

Per OMB 2 CFR Section 200.62, "Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition."

Section 6-6-3(A) NMSA 1978 requires every local public body shall "keep all the books, records and accounts in their respective offices in the form prescribed by the local government division" of the New Mexico Department of Finance and Administration. This would require the municipality to maintain accounting records such as cancelled invoices or receipts which provides substantiation for the expenditure of public funds in order to be in compliance with New Mexico State Statutes.

Effect

There is an increased likelihood that expenditures allocated to the grant are unallowable or unrelated to the grant. Loss of future funding can result due to potential noncompliance.

Cause

There was inconsistent review of disbursements related to credit card purchases.

Recommendation

Management should ensure that supporting documentation is maintained for all purchase, including credit card purchases.

Response

As of November 30, 2018, the Chairman of the Lordsburg Housing Authority has authorized to cancel the one credit card the Housing Authority had. Receipts or supporting documentation will be required for any and all disbursement made by the Housing Authority. Management at Western Regional Housing Authority will oversee this and ensure compliance going forward.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2018**

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Presentation: The accompanying financial statements are the responsibility of the City and are based on information from the City's financial records. Assistance was provided by Integrity Accounting & Consulting to the City in preparing the financial statements.

B. EXIT CONFERENCE

The contents of the report for the City of Lordsburg were discussed on December 12, 2018. The following individuals were in attendance.

City of Lordsburg Officials

Robert Barrera	Mayor; Chairman – Lordsburg Housing Authority
Eddie Lopez	Mayor Pro-Term; Commissioner – Lordsburg Housing Authority
Martha Salas	Finance Officer
Jeannie Palacios	City Clerk

Integrity Accounting & Consulting

Erick Robinson, CPA, CFE	Partner
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