

STATE OF NEW MEXICO
CITY OF LORDSBURG
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

Prepared by
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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**Official Roster
June 30, 2008**

City Council:

Arthur Clark Smith	Mayor
Arturo V. Talavera	Council Member
Eduardo D. Lopez	Council Member
Ernest N. Gallegos	Council Member
Alfredo Morelos, Jr.	Mayor Pro-Tem
Manuel V. D. Saucedo	Council Member
Roberto S. Gonzalez	Council Member

City Administration:

Irene Galvan	City Clerk
Theodore Castillo	Finance Officer
Espy B. Tarango	Executive Director of Lordsburg Housing Authority

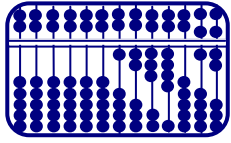
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FINANCIAL SECTION



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

Hector H. Balderas
New Mexico State Auditor
City Council
Lordsburg, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit of Lordsburg Public Housing Authority, each major fund, the general fund and major special revenue fund budgetary comparisons, and the aggregate remaining fund information of City of Lordsburg, New Mexico, as of and for the year-ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's non-major governmental funds, and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year-ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of City of Lordsburg, New Mexico's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles of the United States of America used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain a confirmation regarding a state appropriation for construction of a water systems improvement project for the City. The amount of money received by the City was \$665,138 and all of these funds were expended during the year according to the records maintained by the City. We were also unable to obtain confirmation of amounts owed to the City for court fines. In previous years, these amounts have been immaterial in relation to the total revenue earned by the City.

In our opinion, except for the items mentioned in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit of Lordsburg Public Housing Authority, each major fund, and the aggregate remaining fund information of the City of Lordsburg, New Mexico, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Road Fund, and Lodgers Tax Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of City of Lordsburg, New Mexico, as of June 30, 2008, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the non-major governmental funds, the proprietary fund, and the component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2009, on our consideration of City of Lordsburg, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The *Management's Discussion and Analysis*, on pages 3 through 13, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons of the City of Lordsburg, New Mexico. The accompanying information listed as Supporting Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis. In addition, the Financial Data Schedule of the Lordsburg Housing Authority is included for analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in blue ink that reads "Marc Fair, Bristol & Co. LLP". The signature is written in a cursive style.

El Paso, Texas
October 5, 2009

**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

Management's Discussion and Analysis

As management of City of Lordsburg, we offer readers of City of Lordsburg financial statements this narrative overview and analysis of the financial activities of City of Lordsburg for the fiscal year-ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements of City of Lordsburg and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of City of Lordsburg exceeded its liabilities at the close of the most recent fiscal year by \$18,635,075 (net assets). Of this amount, \$4,715,108 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,458,671 during the fiscal year.
- At the close of the current fiscal year, unrestricted fund balance of the general fund was \$3,727,683.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Lordsburg's basic financial statements. City of Lordsburg's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of City of Lordsburg's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of City of Lordsburg's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of City of Lordsburg is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenue and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of City of Lordsburg that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of City of Lordsburg include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the City include utility services and the Housing Authority.

The government-wide financial statements can be found at Exhibits A-1 and A-2 of this report.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

Management's Discussion and Analysis

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. City of Lordsburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of City of Lordsburg can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

City of Lordsburg maintains twenty-one individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Lodgers Tax Fund, and the Road Fund of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

City of Lordsburg adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Lodger's Tax Fund, and Road Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found at Exhibits B-1 through C-3 of this report.

Proprietary Funds. Proprietary funds are generally used to account for business-type services for which the City charges customers – either outside customers or internal units or departments of the City. These funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains one business-type activity and one component unit.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-47 of this report.

Combining Statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 49-72 of this report.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

**Management's Discussion and Analysis
Summary of Net Assets**

	Government Activities		Business-Type Activities		Totals		Total Percent Change 2007-2008	Component Unit	
	2008	2007	2008	2007	2008	2007		2008	2007
ASSETS									
Current and other assets	\$ 5,121,827	\$ 3,766,940	\$ 1,001,033	\$ 691,880	\$ 6,122,860	\$ 4,458,820	37.32%	\$ 429,512	\$ 417,995
Capital assets, net of accumulated depreciation	8,305,974	7,147,120	6,300,484	4,410,446	14,606,458	11,557,566	26.38%	1,845,184	1,788,533
Total assets	<u>\$ 13,427,801</u>	<u>\$ 10,914,060</u>	<u>\$ 7,301,517</u>	<u>\$ 5,102,326</u>	<u>\$ 20,729,318</u>	<u>\$ 16,016,386</u>	29.43%	<u>\$ 2,274,696</u>	<u>\$ 2,206,528</u>
LIABILITIES									
Current and other liabilities	\$ 510,667	\$ 122,454	\$ 127,219	\$ 63,605	\$ 637,886	\$ 186,059	242.84%	\$ 58,540	\$ 38,415
Long-term liabilities	1,178,321	1,322,393	278,036	331,530	1,456,357	1,653,923	-11.95%	-	-
Total liabilities	<u>1,688,988</u>	<u>1,444,847</u>	<u>405,255</u>	<u>395,135</u>	<u>2,094,243</u>	<u>1,839,982</u>	13.82%	<u>58,540</u>	<u>38,415</u>
NET ASSETS									
Invested in capital assets, net of related debt	7,067,056	5,840,618	6,002,104	4,086,796	13,069,160	9,927,414	31.65%	1,845,184	1,788,533
Restricted	490,463	246,362	360,344	291,230	850,807	537,592		20,909	21,676
Unrestricted	4,181,294	3,382,233	533,814	329,165	4,715,108	3,711,398	27.04%	350,063	357,904
Total net assets	<u>11,738,813</u>	<u>9,469,213</u>	<u>6,896,262</u>	<u>4,707,191</u>	<u>18,635,075</u>	<u>14,176,404</u>	31.45%	<u>2,216,156</u>	<u>2,168,113</u>
Total liabilities and net assets	<u>\$ 13,427,801</u>	<u>\$ 10,914,060</u>	<u>\$ 7,301,517</u>	<u>\$ 5,102,326</u>	<u>\$ 20,729,318</u>	<u>\$ 16,016,386</u>	29.43%	<u>\$ 2,274,696</u>	<u>\$ 2,206,528</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

**Management's Discussion and Analysis
Changes in Net Assets**

	Government Activities		Business-Type Activities		Totals		Total Percentage Change	Component Unit	
	2008	2007	2008	2007	2008	2007	2007-2008	2008	2007
REVENUES									
Program revenues:									
Charges for services	\$ 112,224	\$ 158,007	\$ 2,170,274	\$ 2,022,037	\$ 2,282,498	\$ 2,180,044	4.70%	\$ 302,883	\$ 290,204
Operating grants and contributions	232,156	86,314	-	-	232,156	86,314	168.97%	195,748	162,169
Capital grants and contributions	3,619,205	831,608	-	-	3,619,205	831,608	335.21%	180,971	328,192
General revenues:									
Taxes	2,527,769	1,991,650	149,625	120,371	2,677,394	2,112,021	26.77%	-	-
Small cities assistance	129,277	120,075	-	-	129,277	120,075	7.66%	-	-
Other income	339,432	598,016	280,702	50,713	620,134	648,729	-4.41%	-	-
Interest income	119,023	353,455	8,209	983	127,232	354,438	-64.10%	11,088	13,746
Total revenues	<u>7,079,086</u>	<u>4,139,125</u>	<u>2,608,810</u>	<u>2,194,104</u>	<u>9,687,896</u>	<u>6,333,229</u>	52.97%	<u>690,690</u>	<u>794,311</u>
EXPENSES									
General government	1,020,397	1,082,133	-	-	1,020,397	1,082,133	-5.71%	-	-
Public safety	1,070,007	841,774	-	-	1,070,007	841,774	27.11%	-	-
Public works	470,333	251,133	-	-	470,333	251,133	87.28%	-	-
Health and welfare	86,986	404,559	-	-	86,986	404,559	-78.50%	-	-
Culture and recreation	377,167	264,664	-	-	377,167	264,664	42.51%	-	-
Proprietary expenses	-	-	2,204,335	2,336,007	2,204,335	2,336,007	-5.64%	642,647	483,605
Total expenses	<u>3,024,890</u>	<u>2,844,263</u>	<u>2,204,335</u>	<u>2,336,007</u>	<u>5,445,694</u>	<u>5,180,270</u>	5.12%	<u>642,647</u>	<u>483,605</u>
Change in net assets before transfers and extraordinary items	4,054,196	1,294,862	404,475	(141,903)	4,242,202	1,152,959	267.94%	48,043	310,706
Loss from sale of property	-	-	-	-	-	-	-	-	(4,567)
Transfer of capital assets to Utility fund	(2,086,619)	-	2,086,619	-	-	-	-	-	-
Transfers	302,023	113,962	(302,023)	(113,962)	-	-	-	-	-
Change in net assets	<u>2,269,600</u>	<u>1,408,824</u>	<u>2,189,071</u>	<u>(255,865)</u>	<u>4,242,202</u>	<u>1,152,959</u>	267.94%	<u>48,043</u>	<u>306,139</u>
Net assets - beginning	<u>9,469,213</u>	<u>8,060,389</u>	<u>4,707,191</u>	<u>4,963,056</u>	<u>14,176,404</u>	<u>13,023,445</u>	8.85%	<u>2,168,113</u>	<u>1,861,974</u>
Net assets - ending	<u>\$ 11,738,813</u>	<u>\$ 9,469,213</u>	<u>\$ 6,896,262</u>	<u>\$ 4,707,191</u>	<u>\$ 18,418,606</u>	<u>\$ 14,176,404</u>	29.92%	<u>\$ 2,216,156</u>	<u>\$ 2,168,113</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

Management's Discussion and Analysis

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of City of Lordsburg, net assets exceeded liabilities by \$18,635,075 at the close of the current fiscal year. (See analysis on page 5)

The largest portion of City of Lordsburg's net assets represents the City's investment of \$13,069,160 in capital assets (e.g., land improvements, buildings, infrastructure and machinery and equipment), less any related outstanding debt used to acquire those assets. City of Lordsburg uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although City of Lordsburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

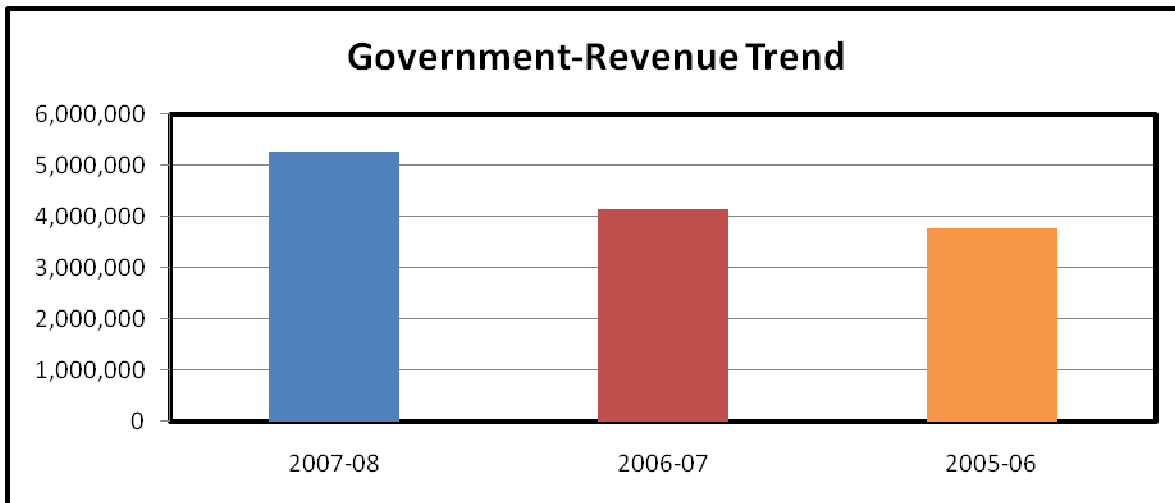
An additional portion of the City of Lordsburg's net assets, \$850,807, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$4,715,108 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, City of Lordsburg is able to report positive balances in all three categories of net assets, for the government as a whole as well as for the business-type activities.

Analysis of Changes in Net Assets

The City's net assets, overall, increased by \$4,458,671 during the current fiscal year. These increases are explained in the government activities discussion below, and are primarily the result of an increase in revenue from governmental revenues during the fiscal year. (See analysis on page 6)

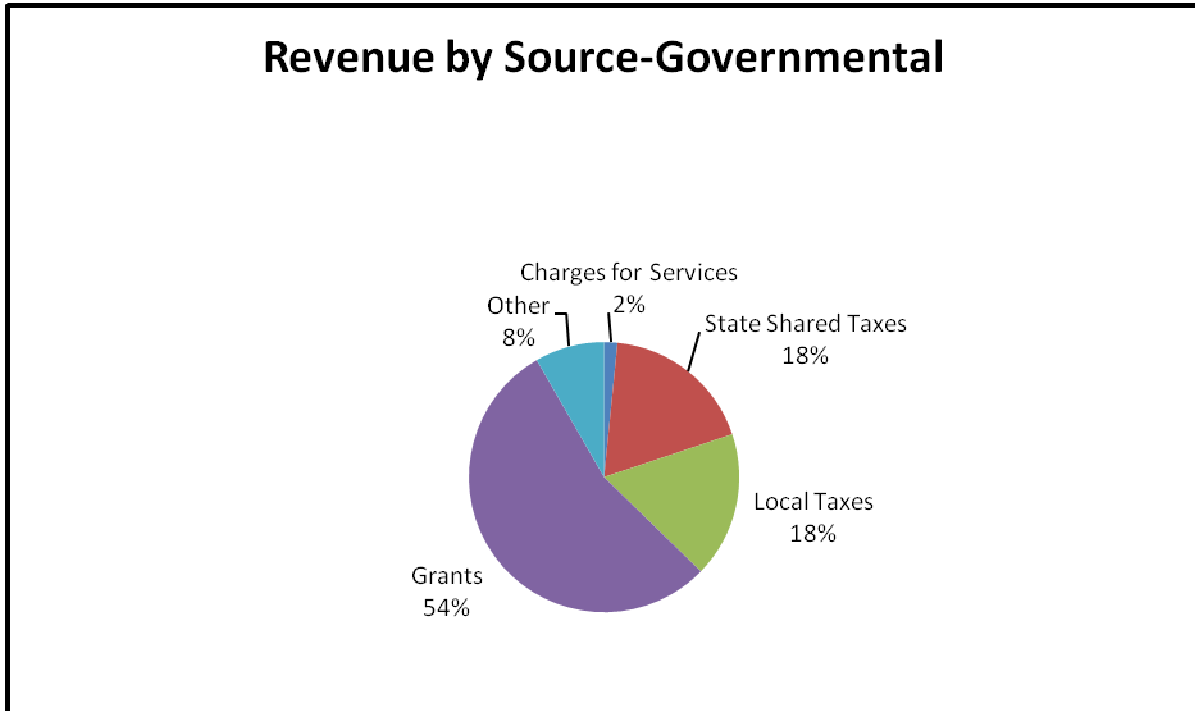
Governmental Activities. The principal operating fund of the City is the General Fund. Revenues are derived primarily from gross receipts taxes, property tax, franchise tax, intergovernmental/grants, licenses and permits, sales and services and a variety of other sources. Total general fund revenues (cash basis) increased by \$927,749 over the prior fiscal year of 2006-2007, which represents a 39.3% increase. The increase is attributed to an increase in federal and state grant revenue. Even with this increase, the total revenue was \$33,794 less than the budgeted revenue.



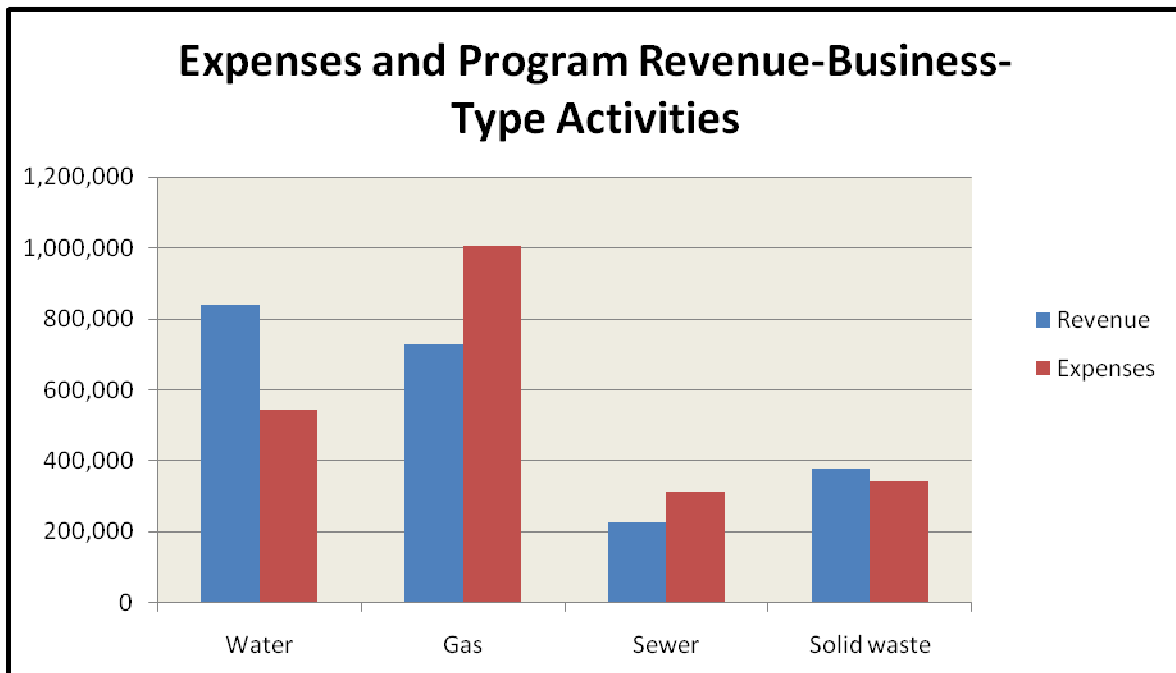
Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The above chart provides a comparison of prior three years. Total revenues from governmental activities are summarized below. For fiscal year 2007-08, Municipal and State Shared Taxes made up 36% of the total general fund revenues compared to 48% over the prior year.

STATE OF NEW MEXICO
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June 30, 2008

Management's Discussion and Analysis



Business-Type Activities. Total revenues in the business-type activities increased over the prior year by 18.9%. The most significant influences on this increase were increases in service fees for water and solid waste. There was an increase in the ending cash balance due to general increases in service fees. The following chart demonstrates the comparison of expenses and program revenues for business-type activities.



**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, City of Lordsburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of City of Lordsburg's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing City of Lordsburg's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.

As of the end of the current fiscal year, City of Lordsburg's governmental funds reported combined ending fund balances of \$4,513,996, an increase of \$1,060,426 in comparison with the prior year. The increase is primarily due to the increase in tax and governmental revenues. The ending fund balances consist of an *unreserved fund balance* in the amount of \$3,727,683 which is available for spending at the government's discretion; a *reserved fund balance for debt service* of \$200,697; and a *reserved fund balance for capital projects funds* of \$289,766.

Revenues for governmental functions overall totaled \$7,079,086 during the fiscal year-ended June 30, 2008, which represents an increase of \$2,939,961 from the fiscal year-ended June 30, 2007. Expenditures for governmental functions totaled \$6,320,683. This was an increase of approximately \$2,636,417 from the fiscal year-ended June 30, 2007. In the fiscal year-ended June 30, 2008, revenues for governmental functions exceeded expenditures by approximately \$758,403.

The General Fund is the chief operating fund of City of Lordsburg. At the end of the current fiscal year, *unreserved* fund balance of the General Fund was \$3,727,683.

The fund balance of City of Lordsburg's General Fund increased \$550,683 during the current fiscal year, before transfers from other funds totaling \$144,450.

The Lodger's Tax Fund is a major fund of City of Lordsburg. At the end of the current fiscal year, *unreserved* fund balance of the Lodger's Tax Fund was \$62,893.

The fund balance of City of Lordsburg's Lodger's Tax Fund increased \$188,423 during the current fiscal year, before transfers to other funds totaling (\$188,978).

The Road Fund is a major fund of City of Lordsburg. At the end of the current fiscal year, *unreserved* fund balance of the Road Fund was \$64,325.

The fund balance of City of Lordsburg's Road Fund increased \$126,334 during the current fiscal year, before transfers to other funds totaling (\$101,902).

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for business-type activities were \$533,814. The total increase in unreserved net assets for the proprietary funds was \$204,649. Factors concerning the finances of this fund have been addressed previously in the discussion of the City's proprietary fund activities.

Economic Conditions. Currently the City is reliant on federal and state grant revenue. The Freeport and Mac Moran Copper and Gold Mine was closed during this fiscal year. The City had relied upon the operation of the mine for the revenue that was received as a result of its operation. There are no other significant changes expected within the next fiscal year.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

Management's Discussion and Analysis

Budgetary Highlights. City budgets reflect the same pattern as seen in the revenue and expenditures of the City. The State of New Mexico budget process is defined under State law and regulation. To enhance the process of developing a budget at the City level, the City of Lordsburg utilizes goals and objectives defined by the City Council, community input meetings, long-term plans and input from various staff groups to develop the City budget. City priorities are well defined through this process.

General Fund Budgetary Highlights.

The City has found it necessary to modify the budget at various times throughout the fiscal year. This is done with resolutions to the budget. The following chart shows the adjustments for the year:

Type	Original Budget	Final Budget	Modification	Reason
Revenue-Municipal Taxes	\$ 691,948	\$ 638,224	\$ (53,724)	To transfer expected funds to state-shared taxes
Revenue-State- shared Taxes	512,702	566,426	53,724	To transfer expected funds from municipal taxes
Revenue-Licenses and Permits	10,900	10,600	(300)	To transfer expected revenue to other revenue
Revenue-Charges for Services	156,883	67,500	(89,383)	To transfer expected revenue to other revenue
Revenue-Other Revenue	368,008	457,691	89,683	To transfer expected revenue from Licenses and Permits and Charges for Services
Revenue-Federal Grants	830,356	851,568	21,212	To increase for Border Security grants
Expenditures-Capital Outlay	(1,417,791)	\$ (1,408,791)	9,000	
Totals	<u>\$ 1,153,006</u>	<u>\$ 1,183,218</u>	<u>\$ 30,212</u>	

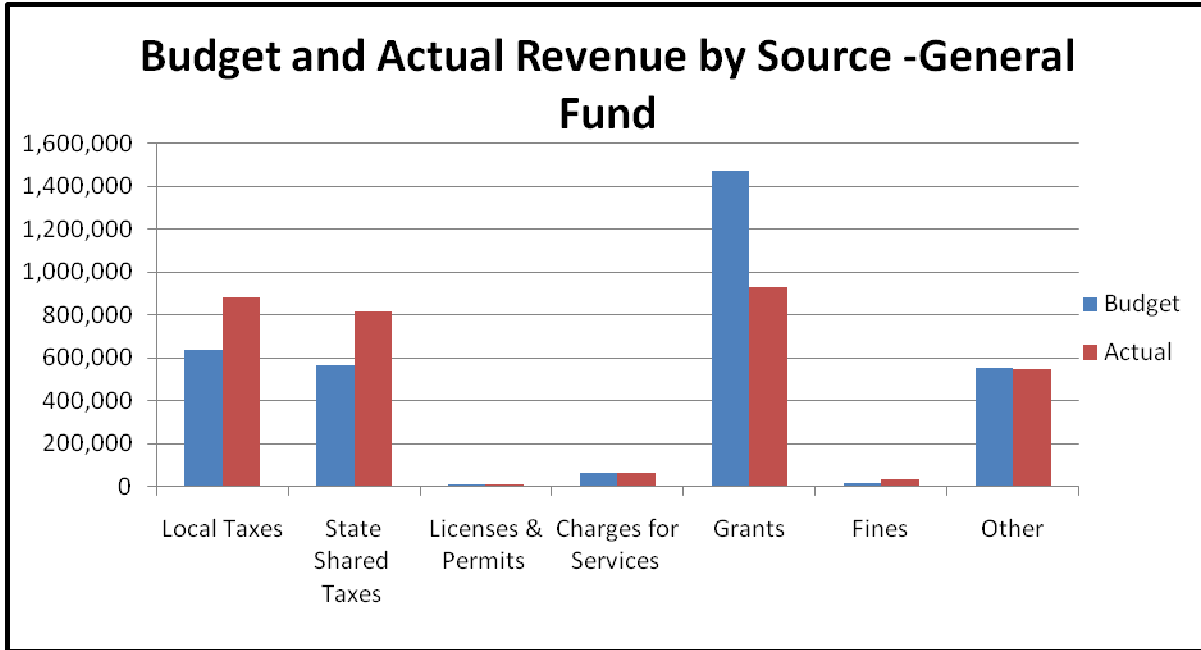
The following chart demonstrates a summary of the major revenue sources received compared to the approved budget for the General Fund. The Municipal Tax revenue of \$882,474 exceeded the budget of \$638,224 due to an increase in property and gasoline taxes. The State-shared Tax revenue of \$816,664 exceeded the budget of \$566,426 due to an increase in gross receipts taxes. The Other Revenue in the amount of \$196,184 exceeded the budget of \$123,773 due to an increase in interest revenue and rental income. The Federal Grants revenue of \$708,864 was below the budgeted amount of \$851,568 because it was not fully expensed at year end. The State Grants revenue of \$222,077 was below the budgeted amount of \$618,353 because it also was not fully expended at year end.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

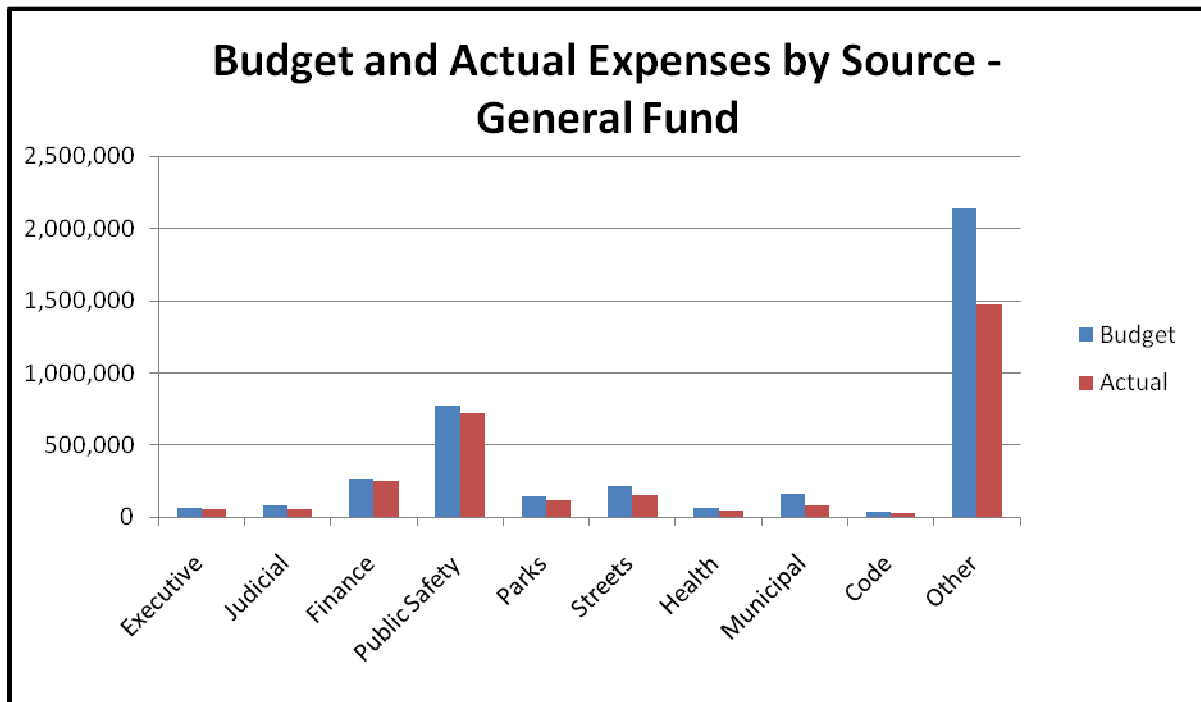
Management's Discussion and Analysis

Budgetary Highlights (continued)

General Fund Budgetary Highlights (continued)



General government expenditures include all administrative functions of the City which include: City Council, Administration, Finance, Police, Maintenance, Judicial and Public Safety, Code Enforcement, the Municipal Building, Streets, Airport, Health, and Recreation. The following chart shows a summary of functional categories for expenditures:



**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

Management's Discussion and Analysis

Budgetary Highlights (continued)

General Fund Budgetary Highlights (continued)

Overall, actual expenditures were under the approved budget by \$969,277. This favorable comparison is a result of budgetary oversight by Department Supervisors. In the Executive Department the actual expenditures were less than budgeted due to a reduction in operating expenses.

Capital Asset and Debt Administration

Capital Assets. City of Lordsburg's capital assets for its governmental and business-type activities as of June 30, 2008 amount to \$14,606,458 (net of accumulated depreciation). Capital assets include land improvements, buildings, machinery, equipment and infrastructure. The total increase in the City's capital assets (excluding accumulated depreciation) for the current fiscal year was \$998,611 for governmental activities, and \$2,086,620 for the business-type activities. However, the capital assets of the component unit have been deleted from the business-type capital asset schedule in Note 6, due to the discrete presentation.

**Capital Assets, Net of Depreciation
June 30, 2008**

	Government Activities	Business-Type Activities	Totals	Component Unit
Land and Construction in Process	\$ 1,935,076	\$ 87,715	\$ 2,022,791	\$ 100,000
Buildings and Improvements	3,628,560	2,119,851	5,748,411	248,176
Infrastructure	1,842,455	3,923,129	5,765,584	1,458,807
Machinery and Equipment	899,883	169,789	1,069,672	38,201
Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,305,974</u>	<u>\$ 6,300,484</u>	<u>\$ 14,606,458</u>	<u>\$ 1,845,184</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 6 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
June 30, 2008**

Management's Discussion and Analysis

Capital Asset and Debt Administration (continued)

The Statement of Net Assets shows the Investment in Capital Assets in the amount of \$13,069,160. This balance includes the capital assets, net of accumulated depreciation, reduced by the note balances associated with those capital assets. The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

	Government Activities:	Business-Type Activities:	Balance June 30, 2007	Component Unit
Net Value of Capital Assets	\$ 8,305,974	\$ 6,300,484	\$14,606,458	\$ 1,845,184
Long-Term Debt Principal				
Balance:				
Lodgers GRT/ Swimming Pool	1,030,000	-	1,030,000	-
Hidalgo Medical Center	192,112	-	192,112	-
NMFA-Fire Truck	202	-	202	-
NMFA-Garbage Truck	16,604	-	16,604	-
NM Environmental	-	298,380	298,380	-
Total Debt Principal	<u>1,238,918</u>	<u>298,380</u>	<u>1,537,298</u>	<u>-</u>
Total Investment in Capital Assets				
Net of Related Debt	<u>\$ 7,067,056</u>	<u>\$ 6,002,104</u>	<u>\$13,069,160</u>	<u>\$ 1,845,184</u>

CONTINGENCIES

The City was declared a flood disaster area by the Governor of New Mexico and the U. S. Department of Homeland Security, Federal Emergency Management Administration (FEMA). Recovery costs have been estimated by the New Mexico Department of Public Safety, Office of Emergency Management, at \$52,032. FEMA has agreed to pay for \$39,024 (75%) of the estimated costs. The Office of Emergency Management has estimated the State's share at 18%. As of June 30, 2008, the only remaining amount owed is from the State. We were unable to confirm whether or not there were any other contingencies with the Entity's attorney.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Inflationary trends in the region compare favorably to national indices.
- The Morenci Mine closed during this fiscal year and the closing has made a significant dent in the economy of the City of Lordsburg.

The above factors were considered in preparing City of Lordsburg's budget for the 2009 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of City of Lordsburg's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lordsburg Administration; 206 South Main; Lordsburg, New Mexico, 88045.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF LORDSBURG
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-Type Activities	Totals	Component Unit
ASSETS				
Cash and Cash Equivalents	\$ 4,239,256	\$ 242,006	\$ 4,481,262	\$ 399,031
Receivables:				
Accounts	18,628	393,575	412,203	1,494
Other receivables	1,956	-	1,956	21,003
Intergovernmental	678,036	-	678,036	7,984
Prepaid Expenses	183,951	-	183,951	-
Restricted Cash and Investments:				
Customer Deposits	-	17,608	17,608	-
Capital Improvements	-	347,844	347,844	-
Capital Assets:	-	-	-	-
Land and Construction in Process	1,935,076	87,715	2,022,791	100,000
Other Capital Assets, Net of Depreciation	6,370,898	6,212,769	12,583,667	1,745,184
Total Assets	<u>\$ 13,427,801</u>	<u>\$ 7,301,517</u>	<u>\$ 20,729,318</u>	<u>\$ 2,274,696</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	270,763	66,329	337,092	21,424
Other Payables	-	-	-	20,909
Intergovernmental	5,576	-	5,576	-
Accrued Interest Expense	4,364	-	4,364	-
Accrued Salaries	36,751	11,569	48,320	-
Deferred Revenue	110,790	-	110,790	-
Customer Deposits	-	17,608	17,608	14,050
Long-Term Liabilities:				
Due Within One Year-Comp. Absences	10,913	5,685	16,598	2,157
Due Within One Year-Notes Payable	71,510	26,028	97,538	-
Due in More Than One Year-Comp Absences	10,913	5,684	16,597	-
Due in More Than One Year-Notes Payable	1,167,408	272,352	1,439,760	-
Total Liabilities	<u>1,688,988</u>	<u>405,255</u>	<u>2,094,243</u>	<u>58,540</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	7,067,056	6,002,104	13,069,160	1,845,184
Restricted for:				
Bond Reserve	200,697	-	200,697	-
Capital Improvements	289,766	-	289,766	20,909
Repair and Replacements	-	360,344	360,344	-
Unrestricted	4,181,294	533,814	4,715,108	350,063
Total Net Assets	<u>\$ 11,738,813</u>	<u>\$ 6,896,262</u>	<u>\$ 18,635,075</u>	<u>\$ 2,216,156</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, 2008

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			COMPONENT UNIT
					GOVERNMENT ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
PRIMARY GOVERNMENT:								
<i>GOVERNMENTAL ACTIVITIES:</i>								
General Government	\$ 920,213	\$ 62,808	\$ 64,984	\$ -	\$ (792,421)	\$ -	\$ (792,421)	\$ -
Public Safety	1,070,007	9,040	145,960	26,000	(889,007)	-	(889,007)	-
Public Works	470,333	-	-	3,593,205	3,122,872	-	3,122,872	-
Health and Welfare	86,986	14,510	21,212	-	(51,264)	-	(51,264)	-
Culture and Recreation	377,167	25,866	-	-	(351,301)	-	(351,301)	-
Interest on long-term debt	100,184	-	-	-	(100,184)	-	(100,184)	-
Total Governmental Activities	3,024,890	112,224	232,156	3,619,205	938,695	-	938,695	-
<i>BUSINESS-TYPE ACTIVITIES:</i>								
Joint Utilities								
Water	542,333	838,803	-	-	-	296,470	296,470	-
Gas	1,007,230	727,430	-	-	-	(279,800)	(279,800)	-
Sewer	313,041	226,538	-	-	-	(86,503)	(86,503)	-
Solid Waste	341,731	377,503	-	-	-	35,772	35,772	-
Total Business-Type Activities	2,204,335	2,170,274	-	-	-	(34,061)	(34,061)	-
TOTAL PRIMARY GOVERNMENT					938,695	(34,061)	904,634	-
Component Unit-Lordsburg Housing Authority	642,647	302,883	195,748	180,971	-	-	-	36,955
GENERAL REVENUES:								
Taxes								
Local Taxes					958,740	-	958,740	-
State-Shared Taxes					1,569,029	149,625	1,718,654	-
Small Cities Assistance					129,277	-	129,277	-
Intergovernmental income					29,611	-	29,611	-
Interest					119,023	8,209	127,232	11,088
Miscellaneous					309,821	280,702	590,523	-
Transfer of capital assets from General Fund to Utility fund					(2,086,619)	2,086,619	-	-
Transfers					302,023	(302,023)	-	-
Total General Revenues and Transfers					1,330,905	2,223,132	3,554,037	11,088
Changes in Net Assets					2,269,600	2,189,071	4,458,671	48,043
Net Assets - Beginning of Year					9,469,213	4,707,191	14,176,404	2,168,113
Net Assets - End of Year					\$ 11,738,813	\$ 6,896,262	\$ 18,635,075	\$ 2,216,156

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF LORDSBURG
Governmental Funds
Balance Sheet
For the Year-Ended June 30, 2008

	General Fund	Lodgers Tax Fund	Road Fund	Total Non-Major Funds	Total Funds
ASSETS					
Cash	\$ 3,529,752	\$ 44,265	\$ 65,062	\$ 600,177	\$ 4,239,256
Taxes receivable	1,956	-	-	-	1,956
Accounts receivable	-	18,628	-	-	18,628
Due from other funds	-	-	-	399	399
Due from other governments	601,820	-	-	76,216	678,036
Total assets	\$ 4,133,528	\$ 62,893	\$ 65,062	\$ 676,792	\$ 4,938,275
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 258,491	\$ -	\$ 737	\$ 11,535	\$ 270,763
Accrued salaries	30,589	-	-	6,162	36,751
Intergovernmental	5,576	-	-	-	5,576
Due to other funds	399	-	-	-	399
Deferred revenue	110,790	-	-	-	110,790
Total liabilities	405,845	-	737	17,697	424,279
Fund Balance					
Reserved for debt service	-	-	-	200,697	200,697
Reserved for capital projects funds	-	-	-	289,766	289,766
Unreserved for special revenue funds	-	62,893	64,325	168,632	295,850
Unreserved	3,727,683	-	-	-	3,727,683
Total fund balances	3,727,683	62,893	64,325	659,095	4,513,996
Total liabilities and fund balances	\$ 4,133,528	\$ 62,893	\$ 65,062	\$ 676,792	\$ 4,938,275

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Reconciliation of Balance Sheet to
Statement of Net Assets
For the Year-Ended June 30, 2008**

Total fund balances-governmental funds		\$ 4,513,996
<p>Amounts reported for governmental activities in the Statement of Net are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$11,306,937 and the accumulated depreciation is \$3,000,963.</p>		8,305,974
Prepaid expense-Hidalgo Medical Center (see Note 7B)		183,951
Accrued interest expense on long-term debt is not reported as an expense in government funds.		(4,364)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Notes payable	\$ 1,238,918	
Compensated absences	21,826	
	(1,260,744)	
Total net assets-governmental activities		\$ 11,738,813

STATE OF NEW MEXICO
CITY OF LORDSBURG
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year-Ending June 30, 2008

	General Fund	Lodgers Tax Fund	Road Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES					
Local taxes	871,752	275,802	-	86,988	1,234,542
State shared taxes	862,027	-	297,176	134,024	1,293,227
Licenses and permits	10,113	-	-	-	10,113
Charges for services	62,808	-	-	49,416	112,224
Fines and forfeitures	19,498	-	-	-	19,498
Miscellaneous revenues	309,821	-	-	-	309,821
Small cities assistance	129,277	-	-	-	129,277
Federal grants	802,298	-	-	1,041,791	1,844,089
State grants	392,592	-	-	1,614,680	2,007,272
Interest income	115,684	-	-	3,339	119,023
Total revenues	<u>3,575,870</u>	<u>275,802</u>	<u>297,176</u>	<u>2,930,238</u>	<u>7,079,086</u>
EXPENDITURES					
Current:					
General government	795,528	87,379	-	49	882,956
Public safety	914,795	-	-	55,335	970,130
Public works	176,749	-	170,842	-	347,591
Culture and recreation	109,086	-	-	164,511	273,597
Health and welfare	47,551	-	-	37,949	85,500
Debt service	-	-	-	-	-
Principal	-	-	-	67,584	67,584
Interest	-	-	-	100,184	100,184
Capital outlay	981,478	-	-	2,611,663	3,593,141
Total expenditures	<u>3,025,187</u>	<u>87,379</u>	<u>170,842</u>	<u>3,037,275</u>	<u>6,320,683</u>
Excess (deficiency) of revenues over (under) expenditures	<u>550,683</u>	<u>188,423</u>	<u>126,334</u>	<u>(107,037)</u>	<u>758,403</u>
Other Financing Sources (Uses)					
Transfers in	378,083	94,318	-	455,531	927,932
Transfers out	(233,633)	(283,296)	(101,902)	(7,078)	(625,909)
Total other financing sources (uses)	<u>144,450</u>	<u>(188,978)</u>	<u>(101,902)</u>	<u>448,453</u>	<u>302,023</u>
Net change in fund balances	695,133	(555)	24,432	341,416	1,060,426
Fund balances-beginning	<u>3,032,550</u>	<u>63,448</u>	<u>39,893</u>	<u>317,679</u>	<u>3,453,570</u>
Fund balances-ending	<u><u>3,727,683</u></u>	<u><u>62,893</u></u>	<u><u>64,325</u></u>	<u><u>659,095</u></u>	<u><u>4,513,996</u></u>

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Reconciliation of the Statement of Income, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year-Ending June 30, 2008**

Total net change in fund balances-governmental funds \$ 1,060,426

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following schedule show the activity in the capital assets:

Capital assets reported as capital outlay expenditures	\$ 3,565,780	
Depreciation expense	<u>(320,306)</u>	
		3,245,474
Repayment on bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		67,584
Prepaid services are amortized as debt forgiveness, but the expense is not reported as an expenditure in the governmental funds.		(14,384)
Transfer of completed capital assets from work in progress		(2,086,619)
Accrued interest is not reported as an expenditure in governmental funds		3,054
In the statement of activities, certain operating expenses-compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid). This year, vacation leave used (\$30,745) was less than the amounts earned (\$36,680) by \$5,935.		<u>(5,935)</u>

Change in net assets of governmental activities \$ 2,269,600

**STATE OF NEW MEXICO
CITY OF LORDSBURG
GENERAL FUND**

**Summary Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual	Favorable (Unfavorable) Difference
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal taxes	\$ 691,948	\$ 638,224	\$ 882,474	\$ 244,250
Licenses and permits	10,900	10,600	10,113	(487)
State-shared taxes	512,702	566,426	816,664	250,238
Charges for services	156,883	67,500	62,807	(4,693)
Fines and forfeitures	18,595	18,595	38,177	19,582
Other revenue	234,413	123,773	196,184	72,411
Small cities assistance	112,117	112,117	129,277	17,160
Intergovernmental revenue	115,000	315,323	222,048	(93,275)
Federal grants	830,356	851,568	708,864	(142,704)
State grants	618,353	618,353	222,077	(396,276)
Total revenues	<u>3,301,267</u>	<u>3,322,479</u>	<u>3,288,685</u>	<u>(33,794)</u>
Add: beginning cash	<u>231,130</u>	<u>231,130</u>		
	<u>\$ 3,532,397</u>	<u>\$ 3,553,609</u>		
Expenditures:				
General government	647,632	656,632	731,510	(74,878)
Public safety	1,223,269	1,244,481	872,564	371,917
Public works	402,816	402,816	316,508	86,308
Health and welfare	62,674	62,674	68,941	(6,267)
Culture and recreation	185,382	189,402	103,995	85,407
Capital outlay	1,417,791	1,408,791	902,001	506,790
Total expenditures	<u>3,939,564</u>	<u>3,964,796</u>	<u>2,995,519</u>	<u>969,277</u>
Excess (deficiency) of revenues over expenditures			<u>293,166</u>	
Other financing sources (uses):				
Transfers in	81,112	81,112	378,083	296,971
Transfers out	<u>(321,396)</u>	<u>(321,396)</u>	<u>(233,633)</u>	<u>87,763</u>
Net other financing sources (uses)	<u>(240,284)</u>	<u>(240,284)</u>	<u>144,450</u>	<u>384,734</u>
Net change in fund balance			437,616	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		509,232		
Adjust accrued expenses		<u>(251,715)</u>		
			257,517	
Fund Balance – Beginning			<u>3,032,550</u>	
Fund Balance – Ending			<u>\$ 3,727,683</u>	

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

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND-LODGERS TAX FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Difference</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State shared tax	\$ 235,796	\$ 235,796	\$ 257,174	\$ 21,378
Miscellaneous revenue	-	-	-	-
Total revenues	<u>235,796</u>	<u>235,796</u>	<u>257,174</u>	<u>21,378</u>
Add: beginning cash	<u>64,211</u>	<u>64,211</u>		
	<u>\$ 300,007</u>	<u>\$ 300,007</u>		
Expenditures:				
Operating expenses	94,318	94,318	88,142	6,176
Total expenditures	<u>94,318</u>	<u>94,318</u>	<u>88,142</u>	<u>6,176</u>
Excess (deficiency) of revenues over expenditures			<u>169,032</u>	
Other financing sources (uses):				
Transfers in	-	94,318	94,318	-
Transfers out	(141,478)	(235,796)	(283,296)	(47,500)
Total other financing sources (uses)	<u>(141,478)</u>	<u>(141,478)</u>	<u>(188,978)</u>	<u>(47,500)</u>
Net change in fund balance			(19,946)	
Differences between GAAP and Non-GAAP:				
Adjust accrued revenue		18,628		
Adjust accrued expenses		<u>763</u>		
			19,391	
Fund balance – Beginning			<u>63,448</u>	
Fund balance – Ending			<u>\$ 62,893</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND – ROAD FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Difference</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State shared taxes	\$ 207,760	\$ 207,760	\$ 319,081	\$ 111,321
Miscellaneous revenue	-	-	-	-
Total Revenues	<u>207,760</u>	<u>207,760</u>	<u>319,081</u>	<u>111,321</u>
 Add: Beginning cash	 19,435	 19,435		
	<u>\$ 227,195</u>	<u>\$ 227,195</u>		
 Expenditures:				
Personnel services	91,937	91,537	50,549	40,988
Operating expenses	136,275	139,675	126,003	13,672
Capital outlay	19,000	16,000	14,000	2,000
Total expenditures	<u>247,212</u>	<u>247,212</u>	<u>190,552</u>	<u>56,660</u>
 Excess (deficiency) revenues over expenditures			<u>128,529</u>	
 Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(40,696)	(40,696)	(101,902)	(61,206)
Total other financing sources (uses)	<u>(40,696)</u>	<u>(40,696)</u>	<u>(101,902)</u>	<u>(61,206)</u>
 Net change in fund balance			26,627	
 Differences Between GAAP and Non-GAAP				
Adjust accrued revenue		(2,905)		
Adjust accrued expenses		<u>710</u>		
			(2,195)	
 Fund balances – Beginning			<u>39,893</u>	
 Fund balances – Ending			<u>\$ 64,325</u>	

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

PROPRIETARY FUND

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Proprietary Fund-Joint Utilities
Balance Sheet
June 30, 2008**

Assets

Current assets

Cash and cash equivalents	\$ 242,006
Accounts receivable	393,575
Total current assets	<u>635,581</u>

Restricted cash:

Customer deposits	17,608
Cash restricted for replacements	347,844
Total restricted assets	<u>365,452</u>

Non-current assets

Capital assets	7,557,880
Accumulated depreciation	(1,257,396)
Total non-current assets	<u>6,300,484</u>

Total assets	<u>\$ 7,301,517</u>
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**STATE OF NEW MEXICO
CITY OF LORDSBURG
Proprietary Fund-Joint Utilities
Balance Sheet
June 30, 2008**

Liabilities

Current liabilities (payable from current assets):	
Accounts payable	\$ 66,329
Accrued compensated absences	5,685
Accrued salaries	11,569
Total	83,583
Current liabilities (payable from restricted assets):	
Revenue bonds payable – current portion	26,028
Customer security deposits	17,608
Total	43,636
Total current liabilities	127,219
Long-term liabilities	
Compensated absences	5,684
Revenue bonds payable – long-term portion	272,352
Total long-term liabilities	278,036
Total liabilities	405,255
Net assets	
Invested in capital assets, net of related debt	6,002,104
Restricted for:	
Restricted for replacements	360,344
Unrestricted assets	533,814
Net assets – ending	6,896,262
Total liabilities and net assets	\$ 7,301,517

STATE OF NEW MEXICO
CITY OF LORDSBURG
Proprietary Fund-Joint Utilities
Statements of Revenues, Expenses and Changes in Fund Net Assets
For the Year-Ended June 30, 2008

Operating revenues	
Charges for services	\$ 2,239,133
Municipal taxes	149,625
Miscellaneous	211,843
Total operating revenues	<u>2,600,601</u>
Operating expenses	
Personnel services	459,794
Depreciation and amortization	196,582
Other operating expenses	1,538,250
Total operating expenses	<u>2,194,626</u>
Operating income (loss)	<u>405,975</u>
Non-operating revenues (expenses)	
Interest income	8,209
Interest expense	<u>(9,709)</u>
Total non-operating revenues (expenses)	(1,500)
Excess receipts over expenditures before operating transfers	404,475
Transfer of assets from work in process	2,086,619
Operating transfers in (out)	<u>(302,023)</u>
Change in net assets:	2,189,071
Total net assets-beginning	<u>4,707,191</u>
Total net assets-ending	<u>\$ 6,896,262</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Proprietary Fund-Joint Utilities
Statement of Cash Flows
For the Year-Ended June 30, 2008**

Cash flows from operating activities:	
Cash received from agencies and customers	\$ 2,566,312
Cash used for salaries and operating expenses	<u>(1,962,654)</u>
Net cash used for operating activities	603,658
Cash flows from financing activities:	
Addition/disposal of fixed assets	(2,086,620)
Intergovernmental transfers	1,649,596
Principal payment on notes	(25,270)
Addition of new notes payable	135,000
Interest expense	<u>(9,709)</u>
Net cash used for financing activities	(337,003)
Cash flows from investing activities	
Interest income	<u>8,209</u>
Net cash provided by investing activities	<u>8,209</u>
Net (decrease) in cash and cash equivalents	274,864
Cash and cash equivalents – beginning	<u>332,594</u>
Cash and cash equivalents – ending	<u><u>\$ 607,458</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by Operating activities	
Operating income	\$ 405,975
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	196,582
Changes in assets and liabilities	
Receivables	(34,289)
Accounts payable	32,771
Customer deposits	693
Accrued payroll	(1,563)
Accrued compensated absences	<u>3,489</u>
Net cash provided by operating activities	<u><u>\$ 603,658</u></u>

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

NOTES TO THE FINANCIAL STATEMENT

STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Lordsburg was incorporated in 1881 as a municipality in the Territory of New Mexico. The City operates under the direction of a Mayor-Council form of government. The City provides the following services as authorized by its charter: public safety (Police and Fire), highways and streets, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. Other services include utilities and public housing.

The financial statements of City Of Lordsburg (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 GASB periodically updates its codification of the existing Governmental Accounting and Financial reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). All governmental and business-type activities of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow FASB Statements and interpretations issued after November 30, 1989.

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 has one discretely presented component unit, and is not a component unit of another governmental agency.

B. Discretely Presented Component Unit

Lordsburg Public Housing Authority (LPHA) is organized under the laws of the State of New Mexico for the purpose of engaging in the leasing and administration of Low-Rent Housing programs and other similar objectives. LPHA is a separate legal entity from the City of Lordsburg and is a component unit of the City. Also, LPHA does not have any component units.

STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Discretely Presented Component Unit (continued)

A seven-member board governs LPHA and is appointed to two-year terms by the City Council. The major revenue sources for LPHA are tenant rental receipts and subsidies from the Department of Housing and Urban Development. Significant account balances include capital assets, and cash. LPHA is presented as a discrete component of the City. The report or requests for additional financial information should be addressed to Esperanza Tarango, Lordsburg Public Housing Authority, 1001 Avenida Del Sol, Lordsburg, New Mexico, 88045.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Neither fiduciary funds nor component units that are fiduciary in nature are included.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange, include gross receipts and property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes, net of estimated refunds and uncollectible amounts, is recognized in the fiscal year in which eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the government.

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.

Government funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general capital assets and the servicing of general long-term debt. Governmental funds include:

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

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Debt-Service Funds* account for the transfer and payment of debt service to various entities.

Under the requirements of GASB No. 34, the City is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which includes funds that were not required to be presented as major but were at the discretion of management:

Lodgers Tax Fund is a special fund to promote tourist operations in the City Financing is provided by a special lodger's tax charged on transit lodging in the City. (NMSA 3-38-13)

The *Road Fund* is used to account for the distribution of gasoline taxes and motor vehicles registration fees to the City and the expenditure for construction, reconstruction, resurfacing or other improvement or maintenance of public roads as authorized by NMSA 1978 Section 7-24A-5.

Proprietary Fund Types:

These funds are used to account for services to the general public where all or most of the costs including depreciation are to be financed or recovered from users of such services. The City maintains separate funds for gas, water, sewer and solid waste utility operations. These are reported as the Joint Utility Fund and are considered a major fund.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and business-type fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Amounts reported as *program* revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Business-Type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's business-type fund is charges for utilities. Operating expenses for business-type funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The following sections are included in the basic financial statements:

- a. *Management's Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.
- b. *Government-Wide Financial Statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The City reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the City are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City’s functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statements of activities.

E. Assets, Liabilities and Net Assets or Equity

Deposits and Investments: The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and fully collateralized repurchase agreements.

Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance. Long term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable from available resources.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets including computer software are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. No computer software is developed in-house.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	10-80
Buildings	15-40
Other improvements	15-40
Machinery and equipment (including computer software)	5-10

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences: City employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation cost become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

City employees are not allowed to accumulate sick leave. Employees are eligible to take 5 days annually as sick leave. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources.

Long-Term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources.

Unreserved Fund Balance: In the fund financial statements, unreserved funds are not subject to temporary or permanent reservations, and are available for operating purposes.

Reserved for Debt Service: In the fund financial statements, funds are for the payment of future debt service requirements.

Reserved for Capital Projects: In the fund financial statements, funds are for the replacement of infrastructure facilities.

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

Investment in Capital Assets, Net of Related Debt - In the fund financial statements, investment in capital assets are reported net of depreciation and related debt.

Restricted Net Assets – This category reflects the portion of net assets that have third party limitations on their use

Unrestricted Net Assets – This category reflects net assets of the City, not restricted for any project or other purpose.

Inter-Fund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets of the City are prepared prior to June 1 and must be approved by the local City Council and the New Mexico Department of Finance and Administration. Once the budget has been formally approved, the City Council and the Department of Finance and Administration must also approve any amendments. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

The City is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

No budget was adopted for the Swimming Pool Bond fund because no revenues or expenditures were anticipated.

The accompanying Statements of Revenues, 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 generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year-ended June 30, 2008 is presented.

The following is reconciliation between the Non-GAAP budgetary basis amount and the financial statements on the GASB basis by fund type.

	General Fund	Lodger's Tax Fund	Road Fund
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	\$ 550,682	\$ 188,423	\$ 126,334
Adjustments:			
To revenues for tax accruals, earnings on investments and other deferrals and accruals.	(509,231)	(18,628)	2,905
Adjustments:			
To adjust expenditures for payables, payroll taxes, prepaid expenses and other accruals.	<u>251,715</u>	<u>(763)</u>	<u>(710)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	<u>\$ 293,166</u>	<u>\$ 169,032</u>	<u>\$ 128,529</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

	Special Revenue Funds	Capital Funds	Proprietary Fund
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	\$ (92,548)	\$ 66,340	\$ 2,491,094
Adjustments:			
To revenues for tax accruals, earnings on investments and other deferrals and accruals.	(62,779)	(10,000)	(2,245,680)
Adjustments:			
To adjust expenditures for payables, payroll taxes, prepaid expenses and other accruals.	27,080	-	144,127
	\$ (128,247)	\$ 56,340	\$ 389,541

NOTE 3. CUSTODIAL CREDIT RISK - DEPOSITS

The City had the following depository accounts. All deposits are carried at cost plus accrued interest. The City does not have a deposit policy.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 100,000
Collateralized:	
Collateral held by pledging bank's trust department not in the city's name	2,938,009
Subtotal	3,038,009
Uninsured and uncollateralized	1,854,366
Total Cash and Investments, Primary Government	\$ 4,892,375

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial risk. As of June 30, 2008, \$4,792,375 of the Primary Government's balance of \$4,892,375 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,854,366
Uninsured and collateral held by pledging bank's trust department not in City's name	2,938,009
Total cash and equivalents	\$ 4,792,375

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 4. RECEIVABLES (continued)

Receivables as of June 30, 2008, are as follows:

	Governmental Fund	Proprietary Fund	Total
Accounts receivable	\$ 18,628	\$ 393,575	\$ 412,203
Taxes receivable	1,956	-	1,956
Due from other funds	399	-	399
Due from other governments	678,036	-	678,036
Net receivables	<u>\$ 699,019</u>	<u>\$ 393,575</u>	<u>\$ 1,092,594</u>

The City's policy has not provided for uncollectible accounts. All receivables are expected to be collected within one year.

NOTE 5. PREPAID EXPENSES

The City of Lordsburg and Hidalgo County have a contract for services with New Mexico Finance Authority (NMFA) to provide free or reduced fee primary care services for the indigent residents of the City of Lordsburg. Prepaid services will be amortized as debt forgiveness and payment is applied to the note agreement made with NMFA. The amount of \$183,951 was recognized during the year ended June 30, 2008. (See Note 7.)

NOTE 6. CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year-ended June 30, 2008. Land is not subject to depreciation.

Governmental Activities:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated				
Land	\$ 473,021	\$ -	\$ -	\$ 473,021
Work in process	981,506	2,615,120	2,134,571	1,462,055
Total	<u>1,454,527</u>	<u>2,615,120</u>	<u>2,134,571</u>	<u>1,935,076</u>
Other capital assets being depreciated				
Buildings	2,337,522	-	-	2,337,522
Other improvements	2,264,200	678,134	140,598	2,801,736
Infrastructure	2,206,511	-	-	2,206,511
Machinery and equipment	1,565,017	461,075	-	2,026,092
Total	<u>8,373,250</u>	<u>1,139,209</u>	<u>140,598</u>	<u>9,371,861</u>
Accumulated Depreciation:				
Buildings	710,967	52,280	-	763,247
Other Improvements	652,196	95,255	-	747,451
Infrastructure	334,635	29,421	-	364,056
Machinery and equipment	982,859	143,350	-	1,126,209
Total	<u>2,680,657</u>	<u>320,306</u>	<u>-</u>	<u>3,000,963</u>
Net Book Value	<u>\$ 7,147,120</u>	<u>\$ 3,434,023</u>	<u>\$ 2,275,169</u>	<u>\$ 8,305,974</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 6. CAPITAL ASSETS (continued)

Depreciation expense for the year-ended June 30, 2008 was charged as follows:

General Governmental	\$ 7,842
Public Safety	92,306
Public Works	117,758
Culture and Recreation	<u>102,400</u>
 Total Depreciation Expense	 <u><u>\$ 320,306</u></u>

**Business-Type
Activities:**

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital Assets Not Being Depreciated				
Land	\$ 87,715	\$ -	\$ -	\$ 87,715
Total	<u>87,715</u>	<u>-</u>	<u>-</u>	<u>87,715</u>
 Other Capital Assets Being Depreciated				
Buildings	26,480	-	-	26,480
Improvements	99,808	2,086,620	-	2,186,428
Utility System	4,500,641	-	-	4,500,641
Machinery and Equipment	756,616	-	-	756,616
Total	<u>5,383,545</u>	<u>2,086,620</u>	<u>-</u>	<u>7,470,165</u>
 Accumulated Depreciation:				
Buildings	4,771	530	-	5,301
Improvements	38,895	48,861	-	87,756
Utility System	517,503	60,009	-	577,512
Machinery and Equipment	499,645	87,182	-	586,827
Total	<u>1,060,814</u>	<u>196,582</u>	<u>-</u>	<u>1,257,396</u>
 Net Book Value	 <u><u>\$ 4,410,446</u></u>	 <u><u>\$ 1,890,038</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 6,300,484</u></u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2008 totaled \$196,582.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 7. LONG-TERM DEBT

During the year-ended June 30, 2008, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

General Fund:	Balance June 30, 2007			Balance June 30, 2008		Due Within One Year
	Additions	Decreases				
Lodgers GRT/ Swimming Pool	\$ 1,050,000	\$ -	\$ 20,000	\$ 1,030,000		\$ 20,000
Hidalgo Medical Ctr	224,885	-	32,773	192,112		36,254
NMFA-Fire Truck	202	-	-	202		202
NMFA-Garbage Truck Compensated Absences	31,415	-	14,811	16,604		15,054
	15,891	36,680	30,745	21,826		10,913
Totals	\$ 1,322,393	\$ 36,680	\$ 98,329	\$ 1,260,744		\$ 82,423

These debts are paid from the General Fund.

Proprietary Fund:	Balance June 30, 2007			Balance June 30, 2008		Due Within One Year
	Additions	Decreases				
NM Environmental Compensated Absences	\$ 323,650	\$ -	\$ 25,270	\$ 298,380		\$ 26,028
	7,880	13,544	10,055	11,369		5,685
Totals	\$ 331,530	\$ 13,544	\$ 35,325	\$ 309,749		\$ 31,713

These debts are paid from Joint Utility Funds.

A. 2001 Series Lodger's Tax/Gross receipts Tax Bond – General Fund

The purpose of the bond was to construct a public swimming pool original issue amount was \$1,125,000 on March 1, 2001. Interest is payable semi-annually on June 1 and December 1 commencing December 1, 2001. Interest begins accruing at 4.00% per annum and increases yearly until maturity, year 2031 when it reaches a maximum interest rate of 6.05%. Principal payments vary according to the following amortization schedule:

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 7. LONG-TERM DEBT (continued)

Year Ended				
June 30	Principal	Interest	Totals	
2009	\$ 25,000	\$ 50,620	\$	75,620
2010	25,000	45,675		70,675
2011	25,000	44,539		69,539
2012	25,000	43,403		68,403
2013	30,000	42,266		72,266
2014-2018	165,000	190,198		355,198
2019-2031	735,000	113,392		848,392
	<u>\$ 1,030,000</u>	<u>\$ 530,093</u>	<u>\$</u>	<u>1,560,093</u>

B. Hidalgo Medical Center Loan

The City of Lordsburg and County of Hidalgo entered into a joint powers agreement to jointly finance the construction of a health-care facility on June 18, 2001. The agreement gave ownership rights of the facility to the County. The benefit to the City was to have a health-care facility to provide medical services to its residents. The total project cost was estimated to be \$3,553,600. The County received a federal grant of \$1,359,296 towards the completion of the project. The remaining \$2,194,304 of estimated project costs was to be financed.

Hidalgo Medical Services borrowed money from the New Mexico Finance Authority's Primary Care Loan Fund to build the facility under the loan agreement. The County sold a bond issue to Hidalgo Medical Services in a private sale, which was used to secure the loan. The proceeds from the loan went to the County, which has the administrative responsibility for building the facility and paying off the loan. As the loan is paid, it will be used to reduce the amount owed under the bond issue.

Both the City and County have pledged their taxes that are intercepted from the Municipal Infrastructure Gross Receipts Tax and the County Hospital Emergency Gross Receipts Tax that began with the July 2001 distributions. The City will pledge and pay one-eighth of one percent of the Municipal Infrastructure Gross Receipts Tax and the County will pledge and pay one-fourth of one percent of the County Hospital Emergency Gross Receipts Tax on a monthly basis. Interest will accrue at 3% per annum. The City will not retain any ownership rights to the facility. Taxes are collected by the New Mexico Department of Taxation and Revenue. Although payments are deducted monthly, the annual payments of the loan are as follow:

Year Ended				
June 30	Principal	Interest	Totals	
2009	\$ 36,254	\$ 5,763	\$	42,017
2010	37,341	4,676		42,017
2011	38,461	3,556		42,017
2012	39,615	2,402		42,017
2013	40,441	1,576		42,017
	<u>\$ 192,112</u>	<u>\$ 17,973</u>	<u>\$</u>	<u>210,085</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 7. LONG-TERM DEBT (continued)

In addition to the loan agreement, Hidalgo Medical Services has a contract for services with the New Mexico Finance Authority (NMFA) pursuant to the Primary Care Capital Funding Act (24-1c-1 through 24-1e-10 NMSA, 1978). Up to 20% of the monthly interest and principal may be forgiven upon a quarterly evaluation by the New Mexico Department of Health. The evaluation is based upon a free or reduced fee primary care services and medically indigent resident of the City of Lordsburg and the County of Hidalgo. If the maximum 20% forgiveness were attained, the future debt service payments would be as follows:

Year Ended				
June 30	Principal	Interest	Totals	
2009	\$ 29,003	\$ 4,611	\$	33,614
2010	29,873	3,741		33,614
2011	30,769	2,844		33,613
2012	31,692	1,921		33,613
2013	32,643	971		33,614
	\$ 153,980	\$ 14,088	\$	168,068

The City and County are jointly and severally liable for the bond debt, which in turn pays the loan debt. The City and County are paying off the bonds, which in turn pays off the loan. Hidalgo Medical Services has agreed to forgive the City's and County's repayment obligations under the bonds to the same extent that the City and County repays the Primary Care Capital loan to NMFA including the forgiveness through the contract for services.

The City and County may collect more hospital gross receipts tax than the payments above in which case the excess will be applied to the outstanding principal. On the other hand, there is not guarantee that the City and County will collect sufficient hospital gross receipts tax to fund the minimum payments. Payments are made through a revenue fund entitled "City Income Fund".

C. Note Payable – New Mexico Finance Authority

The City of Lordsburg entered into a contract with the New Mexico Finance Authority to purchase a garbage truck on November 22, 2002 in the amount of \$90,000 to be paid November 1, 2009 with the interest rate of .5680%. The annual payments of the loan are as follows:

Year Ended				
June 30	Principal	Interest	Totals	
2009	\$ 15,054	\$ 272	\$	15,326
2010	1,550	25		1,575
	\$ 16,604	\$ 297	\$	16,901

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 7. LONG-TERM DEBT (continued)

The City of Lordsburg entered into a contract with the New Mexico Finance Authority February 22, 2002 to purchase a fire pumper in the amount of \$73,860. The annual payments of the loan are as follows:

Year Ended					
June 30	Principal	Interest	Totals		
2009	\$ 202	\$ 11	\$ 213		

D. Note Payable (Proprietary Fund) – New Mexico Environment Department Rural Infrastructure Plan (RIP) Loan – Proprietary Fund

The City entered into an agreement with the New Mexico Environment Department to finance improvements of the City's water system. The State of New Mexico is to provide a 20-year loan in the amount up to \$500,000 as part of the financing. The loan is being provided as costs are incurred. Under the conditions of the loan, the City will begin to repay the loan one year after the final receipt of all proceeds. The loan is payable in annual installments through the year 2018 and bears interest at 3% per year.

The annual debt service requirements are as follows:

Year Ended				
June 30	Principal	Interest	Totals	
2009	\$ 26,028	\$ 8,951	\$ 34,979	
2010	26,809	8,170	34,979	
2011	27,613	7,366	34,979	
2012	28,441	6,538	34,979	
2013	29,295	5,684	34,979	
2014-2018	160,194	14,704	174,898	
	<u>\$ 298,380</u>	<u>\$ 51,413</u>	<u>\$ 349,793</u>	

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 8. INTERFUND BALANCES AND TRANSFERS

Transfers to/from other funds at June 30, 2008, consist of the following:

	<u>To</u>	<u>From</u>	<u>Purpose</u>
\$ 68,300	Special Events Center	General	To transfer funds for operations
65,052	Recreation	General	To transfer funds for operations
40,000	Utilities	General	To transfer funds for operations
5,000	Fire	General	To transfer funds for operations
43,324	Cemetery	General	To transfer funds for operations
11,957	Co-op 07-08 Wabash St	General	To transfer funds for improvements
141,478	Debt Service	Lodger's Tax	To transfer funds for debt service
94,318	Lodger's Tax Promo	Lodger's Tax	To transfer funds for operations
47,500	General	Lodger's Tax	To transfer funds for investments
5,000	General	Road	To transfer funds to pay admin fee
8,137	General	Road	To transfer funds for operations
40,000	General	Road	To transfer funds for investments
5,863	Cemetery	Road	To transfer funds for operations
42,902	Co-op 07-08 Wabash St	Road	To transfer funds for improvements
2,000	General	Special Events Center	To transfer funds to pay admin fee
1,000	General	Recreation	To transfer funds to pay admin fee
539	Cemetery	Recreation	To transfer funds for operations
539	General	Cemetery	To transfer funds for operations
3,000	Cemetery	Recreation	To transfer funds for operations
73,112	General	Utilities	To transfer funds to pay admin fee
13,295	General	Utilities	To transfer funds for operations
37,500	General	Water Capital Improvement	To transfer funds for investments
150,000	General	Utilities	To transfer funds for investments
62,253	CDBG 2005 Water	Utilities	To transfer funds for improvements
5,863	Cemetery	Utilities	To transfer funds for operations
<u>\$ 967,932</u>		Total transfers	

	<u>Transfers In</u>	<u>Transfers Out</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	\$ 927,932	\$ 625,909
Statement of Revenues, Expenses, and Changes in Net Assets- Proprietary Funds	<u>40,000</u>	<u>342,023</u>
Total transfers	<u>\$ 967,932</u>	<u>\$ 967,932</u>

STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008

NOTE 9. 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-Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local government. The City paid \$167,197 for the year ended June 30, 2008 as an annual premium to New Mexico Self-Insured Fund for general insurance coverage and all risk of loss is transferred.

NOTE 10. PERA PENSION PLAN

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

Funding Policy. Plan members are required to contribute 7% for municipal employees and 13.5% of gross salaries for law enforcement employees. The City is required to contribute 7% for law enforcement plan members and 7% for all other plan members. The contribution requirements of plan members and City of Lordsburg are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City of Lordsburg's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$76,909, \$77,719, and \$76,939 respectively, equal to the required contributions for each year.

NOTE 11. 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 12. CONTINGENCIES

The City was declared a flood disaster area by the Governor of New Mexico and the U. S. Department of Homeland Security, Federal Emergency Management Administration (FEMA). Recovery costs have been estimated by the New Mexico Department of Public Safety, Office of Emergency Management, at \$50,201. FEMA has agreed to pay for \$39,024 (75%) of the estimated costs. The Office of Emergency Management has estimated the State's share at 18%. As of June 30, 2008, the final cost to the State has not been determined. After the State's share is determined, the City will be responsible for the balance of the recovery costs. As of June 30, 2008 the City has expensed \$206 of the \$50,201 received.

NOTE 13. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Notes to Financial Statements
June 30, 2008**

NOTE 14. SUBSEQUENT EVENTS

The City has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal and state agencies constitute future commitments.

NOTE 15. EXCESS OF BUDGETED EXPENSES OVER REVENUES

New Mexico State Statutes restricts all officials and governing authorities in approving expenditures in excess of the approved revenues. Several funds in the City of Lordsburg had budgeted expenses in excess of budgeted revenues.

Fund	Final Budgeted Revenues	Final Budgeted Expenses	Deficit
General	\$ 3,322,479	\$ 3,964,796	\$ (642,317)
Road	207,760	242,212	(34,452)
Cemetery	12,100	63,335	(51,235)
Recreation	11,538	101,908	(90,370)
Fluoride Treatment Facility	2,854,839	2,864,489	(9,650)
Joint Utility	2,314,377	2,712,712	(398,335)
Special Events Center	25,622	119,855	(94,233)
CDBG 2007 Water Project	500,000	596,000	(96,000)
2007 - 2008 Co-op	449,447	573,187	(123,740)

NOTE 16. DEFERRED REVENUE

During the fiscal year, the City had the following funds classified as deferred revenue.

Grant Number	Amount	
FEMA	\$ 50,201	Expected recognition unknown.
07-NMLO-002	60,589	Expected to be recognized next fiscal year
	<u>\$ 110,790</u>	

NON-MAJOR GOVERNMENTAL FUND TYPES

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUND TYPES
As of and for the Year-Ended June 30, 2008**

Fire Fund

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-53-1)

Corrections Fund

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

Law Enforcement Protection Fund (LEPF)

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 Fund

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)

Recreation Fund

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)

Solid Waste Truck

To account for the proceeds and expenditures from the purchase of a solid waste truck.

City Income Fund

To account for the payment of a bond in conjunction with the County of Hidalgo to finance the construction of a health clinic. The Municipal Infrastructure Gross Receipts Tax provides financing. (City Ordinance No. 2001-12)

Special Events Center

To account for the provisions of entertainment facilities to the residents of the City and Hidalgo County.

CAPITAL PROJECTS FUNDS

Swimming Pool Bond

To account for the construction of a public swimming pool. Authorized by the bond issued in the amount of \$1,125,000 on March 1, 2001.

CDBG 2007 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.

Water Line Repairs

To account for the line repair project. Authorized by State Appropriation #SAP-04-1558-STB.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUND TYPES
As of and for the Year-Ended June 30, 2008**

CAPITAL PROJECTS FUNDS (continued)

Fluoride Treatment Facility

To account for the construction of the water fluoride treatment plant. Authorized by State Appropriation #SAP-04-0597-CP.

Water and Sewer Exit 20

To account for the revenues and expenditures for the water and sewer improvements on exit 20. Authorized by State Appropriation #SAP-06-1135-06.

2007-2008 Coop

To account for the revenues and expenditures for the Wabash Street fund. Authorized by State Appropriation # SP-GA-7523(205).

CDBG Water Line Improvement '05

To account for the 2005 water line improvements. Authorized by the U. S. Department of Housing and Urban Development, CDBG grant # 05-C-NR-I-7-G-16.

DEBT SERVICE FUNDS

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
NON-MAJOR GOVERNMENTAL FUND TYPES
Combining Balance Sheet
For the Year-Ended June 30, 2008**

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Assets:				
Cash and cash equivalents	\$ 119,714	\$ 279,766	\$ 200,697	\$ 600,177
Due from other governments	66,216	10,000	-	76,216
Due from other funds	399	-	-	399
Work in process	-	-	-	-
Total assets	<u>\$ 186,329</u>	<u>\$ 289,766</u>	<u>\$ 200,697</u>	<u>\$ 676,792</u>
Liabilities and fund balance:				
Liabilities:				
Accounts payable	\$ 11,535	\$ -	\$ -	\$ 11,535
Accrued salaries	6,162	-	-	6,162
Note payable	-	-	-	-
Total liabilities	<u>17,697</u>	<u>-</u>	<u>-</u>	<u>17,697</u>
Fund balances:				
Investment in capital assets	-	-	-	-
Reserve for debt service	-	-	200,697	200,697
Reserved for capital projects funds	-	289,766	-	289,766
Unreserved for special revenue funds	168,632	-	-	168,632
Total fund balance	<u>168,632</u>	<u>289,766</u>	<u>200,697</u>	<u>659,095</u>
Total liabilities and fund balance	<u>\$ 186,329</u>	<u>\$ 289,766</u>	<u>\$ 200,697</u>	<u>\$ 676,792</u>

STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUND TYPES
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year-Ended June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Totals
Revenues:				
Local taxes	\$ 86,988	\$ -	\$ -	\$ 86,988
State shared taxes	134,024	-	-	134,024
Charges for services	49,416	-	-	49,416
Federal grant	-	1,041,791	-	1,041,791
State grant	26,000	1,588,680	-	1,614,680
Interest revenue	300	3,039	-	3,339
Total revenues	<u>296,728</u>	<u>2,633,510</u>	<u>-</u>	<u>2,930,238</u>
Expenditures:				
Current:				
General government	-	-	49	49
Public safety	55,335	-	-	55,335
Public works	-	-	-	-
Culture and recreation	164,511	-	-	164,511
Health and welfare	37,949	-	-	37,949
Debt service	-	-	-	-
Principal	47,584	-	20,000	67,584
Interest	39,404	-	60,780	100,184
Capital outlay	44,493	2,567,170	-	2,611,663
Total expenditures	<u>389,276</u>	<u>2,567,170</u>	<u>80,829</u>	<u>3,037,275</u>
Excess (deficiency) revenues over expenditures	(92,548)	66,340	(80,829)	(107,037)
Other financing sources (uses):				
Transfers in	196,941	117,112	141,478	455,531
Transfers out	(7,078)	-	-	(7,078)
Total other financing sources	<u>189,863</u>	<u>117,112</u>	<u>141,478</u>	<u>448,453</u>
Net change in fund balance	97,315	183,452	60,649	341,416
Fund balance – Beginning	<u>71,317</u>	<u>106,314</u>	<u>140,048</u>	<u>317,679</u>
Fund balance – Ending	<u>\$ 168,632</u>	<u>\$ 289,766</u>	<u>\$ 200,697</u>	<u>\$ 659,095</u>

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUND TYPES
Special Revenue Funds
Combining Balance Sheet
For the Year-Ended June 30, 2008**

	Fire	Corrections	Law Enforcement	Cemetery	Recreation	Solid Waste Truck	City Income	Special Events Center	Totals
ASSETS									
Cash and cash equivalents	\$ 58,471	\$ -	\$ 2,257	\$ 11,384	\$ 9,824	\$ -	\$ -	\$ 37,778	\$ 119,714
Due from other governments	63,945	-	2,271	-	-	-	-	-	66,216
Due from other funds	-	-	-	-	399	-	-	-	399
Total assets	\$ 122,416	\$ -	\$ 4,528	\$ 11,384	\$ 10,223	\$ -	\$ -	\$ 37,778	\$ 186,329
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 1,474	\$ -	\$ -	\$ 194	\$ 5,978	\$ -	\$ -	\$ 3,889	\$ 11,535
Accrued salaries	-	-	-	891	3,426	-	-	1,845	6,162
Total liabilities	1,474	-	-	1,085	9,404	-	-	5,734	17,697
Fund balances:									
Unreserved	120,942	-	4,528	10,299	819	-	-	32,044	168,632
Total fund balances	120,942	-	4,528	10,299	819	-	-	32,044	168,632
Total liabilities and fund balances	\$ 122,416	\$ -	\$ 4,528	\$ 11,384	\$ 10,223	\$ -	\$ -	\$ 37,778	\$ 186,329

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUND TYPES
Special Revenue Funds**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year-Ended June 30, 2008**

	Fire	Corrections	Law Enforcement	Cemetery	Recreation	Solid Waste Truck	City Income	Special Events Center	Totals
REVENUE									
Local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,336	\$ 71,652	\$ -	\$ 86,988
State grant	-	-	26,000	-	-	-	-	-	26,000
State shared taxes	-	-	-	-	3,482	-	-	1,158	4,640
Intergovernmental revenue	129,384	-	-	-	-	-	-	-	129,384
Charges for services	-	9,040	-	14,510	8,773	-	-	17,053	49,376
Miscellaenous revenue	-	-	-	-	40	-	-	-	40
Interest revenue	300	-	-	-	-	-	-	-	300
Total revenues	<u>129,684</u>	<u>9,040</u>	<u>26,000</u>	<u>14,510</u>	<u>12,295</u>	<u>15,336</u>	<u>71,652</u>	<u>18,211</u>	<u>296,728</u>
EXPENDITURES									
Public safety	29,905	9,040	16,390	-	-	-	-	-	55,335
Culture and recreation	-	-	-	-	71,989	-	-	92,522	164,511
Health and welfare	-	-	-	37,950	-	-	-	-	37,950
Debt service									
Principal	-	-	-	-	-	14,811	32,773	-	47,584
Interest	-	-	-	-	-	525	38,879	-	39,404
Capital outlay	-	-	8,942	35,550	-	-	-	-	44,492
Total expenditures	<u>29,905</u>	<u>9,040</u>	<u>25,332</u>	<u>73,500</u>	<u>71,989</u>	<u>15,336</u>	<u>71,652</u>	<u>92,522</u>	<u>389,276</u>
Excess (deficiency) of revenues over expenditures	99,779	-	668	(58,990)	(59,694)	-	-	(74,311)	(92,548)
OTHER FINANCING SOURCES (USES)									
Transfers in	5,000	-	-	58,589	65,052	-	-	68,300	196,941
Transfers out	-	-	-	(539)	(4,539)	-	-	(2,000)	(7,078)
Total other financing sources(uses)	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>58,050</u>	<u>60,513</u>	<u>-</u>	<u>-</u>	<u>66,300</u>	<u>189,863</u>
Net change in fund baances	104,779	-	668	(940)	819	-	-	(8,011)	97,315
Fund balances-beginning	16,163	-	3,860	11,239	-	-	-	40,055	71,317
Fund balances-ending	<u>\$ 120,942</u>	<u>\$ -</u>	<u>\$ 4,528</u>	<u>\$ 10,299</u>	<u>\$ 819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,044</u>	<u>\$ 168,632</u>

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

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND – FIRE PROTECTION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	Budgeted Amounts		Actual	Favorable (Unfavorable) Difference
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 65,438	\$ 65,238	\$ 65,438	\$ 200
Interest revenue	200	200	300	100
Miscellaneous revenue	-	-	-	-
Total revenues	65,638	65,438	65,738	300
Add: beginning cash	16,263	16,263		
	\$ 81,901	\$ 81,701		
Expenditures:				
Operating expenses	37,267	37,267	28,531	8,736
Capital outlay	49,434	49,434	-	49,434
Total expenditures	86,701	86,701	28,531	58,170
Excess of revenues over expenditures			37,207	
Other financing sources (uses):				
Transfers in	5,000	5,000	5,000	-
Transfers out	-	-	-	-
Total other financing sources	5,000	5,000	5,000	-
Net change in fund balance			42,207	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		63,945		
Accrued accrued expenses		(1,373)		
			62,572	
Fund Balance – Beginning			16,163	
Fund Balance – Ending			\$ 120,942	

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND – CORRECTIONS
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	Budgeted Amounts		Actual	Favorable (Unfavorable) Difference
	Original	Final		
Revenues:				
Charges for services	\$ 3,840	\$ 9,040	\$ 9,040	\$ -
Total revenues	3,840	9,040	9,040	-
Add: beginning cash	-	-		
	\$ 3,840	\$ 9,040		
Expenditures:				
Operating expenditures	3,840	9,040	9,040	-
Total expenditures	3,840	9,040	9,040	-
Excess of revenues over expenditures			-	
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance			-	
Fund balance—beginning			-	
Fund balance – ending			\$ -	

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND – LAW ENFORCEMENT PROTECTION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Difference</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grant	\$ 26,000	\$ 26,000	\$ 26,000	\$ -
Total revenues	<u>26,000</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>
Add: beginning cash	<u>3,860</u>	<u>3,860</u>		
	<u>\$ 29,860</u>	<u>\$ 29,860</u>		
Expenditures:				
Operating expenses	22,860	22,860	13,951	8,909
Capital outlay	7,000	7,000	13,653	(6,653)
Total expenditures	<u>29,860</u>	<u>29,860</u>	<u>27,603</u>	<u>2,257</u>
Excess (deficiency) of revenues over expenditures			<u>(1,603)</u>	
Other financing sources (uses):				
Transfers in				
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			(1,603)	
Differences Between GAAP and Non-GAAP				
Adjust accrued revenue			2,271	
Fund balance – beginning			<u>3,860</u>	
Fund balance – ending			<u>\$ 4,528</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND – CEMETERY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>Difference</u>
Revenues:				
Charges for services	\$ 5,100	\$ 11,100	\$ 14,510	\$ 3,410
Interest revenue	1,000	-	-	-
Miscellaneous revenue	6,000	1,000	-	(1,000)
Total revenues	<u>12,100</u>	<u>12,100</u>	<u>14,510</u>	<u>2,410</u>
Add: beginning cash	14,939	14,939		
	<u>\$ 27,039</u>	<u>\$ 27,039</u>		
Expenditures:				
Personnel services	29,466	29,316	25,631	3,685
Operating expenses	21,369	21,519	14,933	6,586
Capital outlay	12,500	12,500	12,500	-
Total expenditures	<u>63,335</u>	<u>63,335</u>	<u>53,064</u>	<u>10,271</u>
Excess (deficiency) of revenues over expenditures			<u>(38,554)</u>	
Other financing sources (uses):				
Transfers in	35,000	35,000	35,000	-
Transfers out	-	-	-	-
Total other financing sources	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Net change in fund balance			(3,554)	
Differences between GAAP and Non-GAAP				
Accrued expenses		(20,436)		
Adjust transfers		<u>23,050</u>		
			2,614	
Fund balance – beginning			<u>11,239</u>	
Fund balance – ending			<u>\$ 10,299</u>	

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

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND – RECREATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>Difference</u>
Revenues:				
State shared taxes	\$ 4,030	\$ 4,030	\$ 3,824	\$ (206)
Charges for services	6,508	6,508	11,869	5,361
Interest revenue	1,000	1,000	-	(1,000)
Miscellaneous revenue	-	-	40	40
Total revenues	<u>11,538</u>	<u>11,538</u>	<u>15,733</u>	<u>4,195</u>
Add: beginning cash	(399)	(399)		
	<u>\$ 11,139</u>	<u>\$ 11,139</u>		
Expenditures:				
Personnel services	52,098	51,298	24,810	26,488
Operating expense	46,810	47,610	45,750	1,860
Capital outlay	3,000	3,000	-	3,000
Total expenditures	<u>101,908</u>	<u>101,908</u>	<u>70,560</u>	<u>31,348</u>
Excess (deficiency) of revenues over expenditures			<u>(54,827)</u>	
Other financing sources (uses):				
Transfers in	65,052	65,052	65,052	-
Transfers out	(1,000)	(1,000)	-	1,000
Total other financing sources	<u>64,052</u>	<u>64,052</u>	<u>65,052</u>	<u>1,000</u>
Net change in fund balance			10,225	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		(3,437)		
Adjust accrued expenses		(1,430)		
Adjust transfers		<u>(4,539)</u>		
			(9,406)	
Fund balance – beginning			<u>-</u>	
Fund balance – ending			<u>\$ 819</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND – CITY INCOME
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Difference</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Gross receipts taxes	\$ 61,000	\$ 71,653	\$ 71,652	\$ (1)
Total revenues	<u>61,000</u>	<u>71,653</u>	<u>71,652</u>	<u>(1)</u>
Add: Beginning cash	<u>-</u>	<u>-</u>		
	\$ 61,000	\$ 71,653		
Expenditures:				
Debt service principal	61,000	71,653	32,773	38,880
Debt service interest	-	-	38,879	(38,879)
Total expenditures	<u>61,000</u>	<u>71,653</u>	<u>71,652</u>	<u>1</u>
Excess of revenues over expenditures			<u>-</u>	
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			-	
Fund balance – Beginning			<u>-</u>	
Fund balance – Ending			<u>\$ -</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND – SPECIAL EVENTS CENTER
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>Difference</u>
Revenues:				
Charges for services	\$ 24,425	\$ 24,425	\$ 17,053	\$ (7,372)
Gross receipts taxes	1,197	1,197	1,158	(39)
Total revenues	<u>25,622</u>	<u>25,622</u>	<u>18,211</u>	<u>(7,411)</u>
Add: Beginning cash	41,948	41,948		
	<u>\$ 67,570</u>	<u>\$ 67,570</u>		
Expenditures:				
Personnel services	50,610	50,360	42,116	8,244
Operating expense	62,245	62,795	41,280	21,515
Capital outlay	7,000	6,700	5,285	1,415
Total expenditures	<u>119,855</u>	<u>119,855</u>	<u>88,681</u>	<u>31,174</u>
Excess (deficiency) of revenues over expenditures			<u>(70,470)</u>	
Other financing sources (uses):				
Transfers in	68,300	68,300	68,300	-
Transfers out	-	-	(2,000)	(2,000)
Total other financing sources	<u>68,300</u>	<u>68,300</u>	<u>66,300</u>	<u>(2,000)</u>
Net change in fund balance			(4,170)	
Differences Between GAAP and Non-GAAP:				
Adjust accrued expenses			(3,841)	
Fund Balance – Beginning			<u>40,055</u>	
Fund Balance – Ending			<u>\$ 32,044</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
SPECIAL REVENUE FUND – SOLID WASTE TRUCK
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Difference</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Gross receipt tax	\$ 15,336	\$ 15,336	\$ 15,336	\$ -
Total revenues	15,336	15,336	15,336	-
Add: beginning cash	-	-		
	<u>\$ 15,336</u>	<u>\$ 15,336</u>		
Expenditures:				
Operating expenditures	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures			<u>15,336</u>	
Other financing sources (uses):				
Debt principal	(14,811)	(14,811)	(14,811)	-
Debt interest	(525)	(525)	(525)	-
Total other financing sources	<u>(15,336)</u>	<u>(15,336)</u>	<u>(15,336)</u>	-
Net change in fund balance			-	
Fund balance—beginning			<u>-</u>	
Fund balance – ending			<u>\$ -</u>	

CAPITAL PROJECT FUND TYPES

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON MAJOR GOVERNMENTAL FUNDS
Capital Project Funds
Combining Balance Sheet
For the Year-Ended June 30, 2008**

	Swimming Pool Bond	Water Fluoride	CDBG Water Project 2007	Water & Sewer Exit 20	2007 - 2008 Co-op	CDBG Water Line Improvement '05	Water Line Repair	Totals
ASSETS								
Cash and cash equivalents	\$ 99,627	\$ 180,061	\$ -	\$ -	\$ 3	\$ -	\$ 75	\$ 279,766
Due from other governments	-	-	10,000	-	-	-	-	10,000
Total assets	<u>\$ 99,627</u>	<u>\$ 180,061</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 289,766</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-	-
Fund balances:								
Reserved for capital projects	99,627	180,061	10,000	-	3	-	75	289,766
Total fund balances	<u>99,627</u>	<u>180,061</u>	<u>10,000</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>75</u>	<u>289,766</u>
Total liabilities and fund balances	<u>\$ 99,627</u>	<u>\$ 180,061</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 289,766</u>

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Non Major Governmental Fund Types
Capital Project Funds**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year-Ended June 30, 2008**

	Swimming Pool Bond	Water Fluoride	CDBG Water Project 2007	Water & Sewer Exit 20	2007 - 2008 Co-op	CDBG Water Line Improvement '05	Water Line Repair	Totals
REVENUES								
Federal grant	\$ -	\$ 541,791	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ 1,041,791
State grant	-	923,542	-	665,138	-	-	-	1,588,680
Interest revenue	3,039	-	-	-	-	-	-	3,039
Total revenues	<u>3,039</u>	<u>1,465,333</u>	<u>500,000</u>	<u>665,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,633,510</u>
EXPENDITURES								
Capital outlay	-	1,294,922	552,253	665,138	54,857	-	-	2,567,170
Total expenditures	<u>-</u>	<u>1,294,922</u>	<u>552,253</u>	<u>665,138</u>	<u>54,857</u>	<u>-</u>	<u>-</u>	<u>2,567,170</u>
Excess (deficiency) revenues over expenditures	3,039	170,411	(52,253)	-	(54,857)	-	-	66,340
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	62,253	-	54,859	-	-	117,112
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>62,253</u>	<u>-</u>	<u>54,859</u>	<u>-</u>	<u>-</u>	<u>117,112</u>
Net change in fund balances	3,039	170,411	10,000	-	2	-	-	183,452
Fund balances-beginning	<u>96,588</u>	<u>9,650</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>75</u>	<u>106,314</u>
Fund balances-ending	<u>\$ 99,627</u>	<u>\$ 180,061</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 289,766</u>

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

STATE OF NEW MEXICO
CITY OF LORDSBURG
CAPITAL PROJECT FUND – SWIMMING POOL BOND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Difference</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest Revenue	\$ -	\$ -	\$ 3,039	\$ 3,039
Total Revenues	<u>-</u>	<u>-</u>	<u>3,039</u>	<u>3,039</u>
 Add: Budget Cash				
	95,895	95,895		
	<u>\$ 95,895</u>	<u>\$ 95,895</u>		
 Expenditures:				
Misc Expense	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Excess (Deficiency) of Revenues Over Expenditures			<u>3,039</u>	
 Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net Change in Fund Balance			3,039	
 Differences Between GAAP and Non-GAAP:				
 Fund Balance – Beginning of Year			<u>96,588</u>	
 Fund Balance – End of Year			<u>\$ 99,627</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
CAPITAL PROJECT FUND – CDBG 2007 WATER PROJECT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Difference</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grants	\$ 500,000	\$ 500,000	\$ 490,000	\$ (10,000)
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>490,000</u>	<u>(10,000)</u>
Add: Beginning cash	<u>-</u>	<u>-</u>		
	<u>\$ 500,000</u>	<u>\$ 500,000</u>		
Expenditures:				
Capital outlay	596,000	596,000	552,253	43,747
Total expenditures	<u>596,000</u>	<u>596,000</u>	<u>552,253</u>	<u>43,747</u>
Excess (deficiency) of revenues over expenditures			<u>(62,253)</u>	
Other financing sources (uses):				
Transfers in	96,000	96,000	62,253	(33,747)
Transfers out	-	-	-	-
Total other financing sources	<u>96,000</u>	<u>96,000</u>	<u>62,253</u>	<u>(33,747)</u>
Net change in fund balance			-	
Differences Between GAAP and Non-GAAP:				
Adjust accrued revenue			10,000	
Fund balance – Beginning			<u>-</u>	
Fund balance – Ending			<u>\$ 10,000</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
CAPITAL PROJECT FUND – WATER LINE REPAIRS
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Difference</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grants	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
Interest revenue	-	-	-	-
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Add: Beginning cash	<u>-</u>	<u>-</u>		
	<u>\$ 250,000</u>	<u>\$ 250,000</u>		
Expenditures:				
Capital outlay	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Excess (deficiency) of revenues over expenditures			<u>-</u>	
Other financing sources (uses):				
Transfers in				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			<u>-</u>	
Differences between GAAP and non-GAAP:				
Fund balance – Beginning			<u>75</u>	
Fund balance – Ending			<u>\$ 75</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
CAPITAL PROJECT FUND – FLUORIDE TREATMENT FACILITY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Difference</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grants	\$ 833,334	\$ 1,304,839	\$ 541,791	\$ (763,048)
Other revenue	2,021,505	1,550,000	923,541	(626,459)
Total revenues	<u>2,854,839</u>	<u>2,854,839</u>	<u>1,465,332</u>	<u>(1,389,507)</u>
Add: Beginning cash	-	-		
	<u>\$ 2,854,839</u>	<u>\$ 2,854,839</u>		
Expenditures:				
Capital outlay	2,864,489	2,864,489	1,294,921	1,569,568
Total expenditures	<u>2,864,489</u>	<u>2,864,489</u>	<u>1,294,921</u>	<u>1,569,568</u>
Excess (deficiency) of revenues over expenditures			<u>170,411</u>	
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			170,411	
Differences between GAAP and Non-GAAP:				
Fund balance – Beginning			<u>9,650</u>	
Fund balance – Ending			<u>\$ 180,061</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
CAPITAL PROJECT FUND – WATER & SEWER EXIT 20
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	Budgeted Amounts		Actual	Favorable (Unfavorable) Difference
	Original	Final		
Revenues:				
State grants	\$ 702,653	\$ 702,653	\$ 665,138	\$ (37,515)
Total revenues	702,653	702,653	665,138	(37,515)
Add: Beginning cash	-	-		
	702,653	702,653		
Expenditures:				
Capital outlay	702,653	702,653	665,138	37,515
Total expenditures	702,653	702,653	665,138	37,515
Excess of revenues over expenditures			-	
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance			-	
Fund Balance – Beginning			-	
Fund Balance – Ending			\$ -	

STATE OF NEW MEXICO
CITY OF LORDSBURG
CAPITAL PROJECT FUND – 2007-2008 CO-OP
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	Budgeted Amounts		Actual	Favorable (Unfavorable) Difference
	Original	Final		
Revenues:				
State grants	\$ 449,447	\$ 449,447	\$ -	\$ (449,447)
Total revenues	449,447	449,447	-	(449,447)
Add: Beginning cash	-	-		
	\$ 449,447	\$ 449,447		
Expenditures:				
Capital outlay	573,187	573,187	54,857	518,330
Total expenditures	573,187	573,187	54,857	518,330
Excess (deficiency) of revenues over expenditures			(54,857)	
Other financing sources (uses):				
Transfers in	123,740	123,740	54,859	(68,881)
Transfers out	-	-	-	-
Total other financing sources	123,740	123,740	54,859	(68,881)
Net change in fund balance			2	
Differences between GAAP and Non-GAAP:				
Fund balance – Beginning			1	
Fund balance – Ending			\$ 3	

STATE OF NEW MEXICO
CITY OF LORDSBURG
CAPITAL PROJECT FUND – CDBG Water Line Improvement ‘05
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Favorable
	<u>Original</u>	<u>Final</u>		(Unfavorable)
				<u>Difference</u>
Revenues:				
State grants	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Total revenues	<u>200,000</u>	<u>200,000</u>	-	<u>(200,000)</u>
Add: Beginning cash	-	-		
	<u>\$ 200,000</u>	<u>\$ 200,000</u>		
Expenditures:				
Capital outlay	200,000	200,000	-	200,000
Total expenditures	<u>200,000</u>	<u>200,000</u>	-	<u>200,000</u>
Excess of revenues over expenditures			<u>-</u>	
Other financing sources (uses):				
Transfers in				
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			-	
Differences between GAAP and Non-GAAP:				
Adjust transfers			-	
Fund balance – Beginning			<u>-</u>	
Fund balance – Ending			<u>\$ -</u>	

DEBT-SERVICE FUND TYPES

**STATE OF NEW MEXICO
CITY OF LORDSBURG
DEBT SERVICE FUND TYPES
Combining Balance Sheet
For the Year-Ended June 30, 2008**

	<u>Debt Service 2001</u>
ASSETS	
Cash and cash equivalents	\$ 200,697
Total assets	<u>\$ 200,697</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
Fund balances:	
Reserved for debt service	<u>200,697</u>
Total fund balances	<u>200,697</u>
Total liabilities and fund balances	<u>\$ 200,697</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
DEBT SERVICE FUND TYPES
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year-Ended June 30, 2008**

	Debt Service 2001
REVENUES	
Sale of bond proceeds	\$ -
Total revenues	-
EXPENDITURES	
Miscellaneous expenses	49
Debt service	
Principal	20,000
Interest	60,780
Total expenditures	80,829
Excess (deficiency) revenues over expenditures	(80,829)
Other Financing Sources (Uses)	
Transfers in	141,478
Transfers out	-
Total other financing sources	141,478
Net change in fund balance	60,649
Fund balance—beginning	140,048
Fund balance—ending	\$ 200,697

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

STATE OF NEW MEXICO
CITY OF LORDSBURG
DEBT SERVICE FUND – DEBT SVC 2001
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	Budgeted Amounts		Actual	Favorable (Unfavorable) Difference
	Original	Final		
Revenues:				
Bond revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Add: beginning cash	-	-		
	<u>\$ -</u>	<u>\$ -</u>		
Expenditures:				
Other fees	70	70	49	21
Debt service principal	20,000	20,000	20,000	-
Debt service interest	60,780	60,780	60,780	-
Total expenditures	<u>80,850</u>	<u>80,850</u>	<u>80,829</u>	<u>21</u>
Excess (deficiency) of revenues over expenditures			<u>(80,829)</u>	
Other financing sources (uses):				
Transfers in	141,478	141,478	141,478	-
Transfers out	-	-	-	-
Total other financing sources	<u>141,478</u>	<u>141,478</u>	<u>141,478</u>	<u>-</u>
Net change in fund balance			60,649	
Differences between GAAP and Non-GAAP:				
Adjust for transfers			-	
Fund balance—beginning			<u>140,048</u>	
Fund balance—ending			<u>\$ 200,697</u>	

STATE OF NEW MEXICO
CITY OF LORDSBURG
PROPRIETARY FUND – JOINT UTILITY
Schedule of Revenues, Expenses and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	Budgeted Amounts			Favorable (Unfavorable) Difference
	Original	Final	Actual	
Revenues				
Sales of services and fees:				
Natural gas	\$ 841,370	\$ 841,370	\$ 834,141	\$ (7,229)
Water	728,991	728,991	841,653	112,662
Sewer	253,425	253,225	249,020	(4,205)
Solid waste	295,309	294,559	328,971	34,412
Government taxes	145,597	146,547	150,893	4,346
Deposits received	17,100	17,100	22,145	5,045
Other	3,000	-	-	-
Permits	4,650	4,650	-	(4,650)
Interest income	24,935	27,935	781	(27,154)
Total revenues	<u>2,314,377</u>	<u>2,314,377</u>	<u>2,427,604</u>	<u>113,227</u>
Expenses				
Water:				
Personnel services	204,956	204,056	156,733	47,323
Insurance	-	10,681	12,768	(2,087)
Operating expenses	654,316	602,774	293,988	308,786
Joint powers agreements	-	6,781	6,779	2
RIP loan payment principal	-	25,270	25,270	-
RIP loan payment interest	-	9,710	9,709	1
Capital outlay	25,000	25,000	1,625	23,375
	<u>884,272</u>	<u>884,272</u>	<u>506,872</u>	<u>377,400</u>
Natural gas				
Personnel services	191,752	190,852	137,501	53,351
Insurance	-	-	-	-
Operating expenses	812,331	792,737	782,358	10,379
Joint powers agreement	-	7,994	7,995	(1)
Capital outlay	20,000	32,500	14,587	17,913
	<u>\$ 1,024,083</u>	<u>\$ 1,024,083</u>	<u>\$ 942,441</u>	<u>\$ 81,642</u>

STATE OF NEW MEXICO
CITY OF LORDSBURG
PROPRIETARY FUND – JOINT UTILITY
Schedule of Revenues, Expenses and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008

	Budgeted Amounts		Actual	Favorable (Unfavorable) Difference
	Original	Final		
Sewer				
Personnel services	\$ 97,626	\$ 97,266	\$ 76,587	\$ 20,679
Insurance	-	9,000	9,870	(870)
Operating expenses	149,051	137,488	74,436	63,052
Joint powers agreement	-	2,923	2,924	(1)
Capital outlay	30,000	30,000	3,156	26,844
	<u>276,677</u>	<u>276,677</u>	<u>166,973</u>	<u>109,704</u>
Solid waste				
Personnel services	88,702	88,352	79,167	9,185
Insurance	-	16,150	13,694	2,456
Operating expenses	260,391	243,102	250,446	(7,344)
Principal payments on fire truck	14,811	14,811	14,811	-
Interest payments on fire truck	525	525	525	-
Joint powers agreement	-	1,489	1,486	3
Capital outlay	24,000	24,000	16,386	7,614
	<u>388,429</u>	<u>388,429</u>	<u>376,515</u>	<u>11,914</u>
Other expenses				
Other operating costs	20,500	-	-	-
Deposits refunded	-	20,500	21,452	(952)
	<u>20,500</u>	<u>20,500</u>	<u>21,452</u>	<u>(952)</u>
Gas improvement				
Capital Outlays	34,000	34,000	-	34,000
Water improvement				
Capital Outlays	30,000	30,000	-	30,000
Sewer improvement				
Operating expenses	-	-	23,810	(23,810)
Capital outlay	30,000	30,000	-	30,000
	<u>30,000</u>	<u>30,000</u>	<u>23,810</u>	<u>6,190</u>
Solid waste improvement				
Capital outlay	17,891	17,891	-	17,891
Solid waste reserve				
Operating expenses	6,860	6,860	-	6,860
	<u>2,712,712</u>	<u>2,712,712</u>	<u>2,038,063</u>	<u>674,649</u>
Excess of revenues over expenses			<u>\$ 389,541</u>	

**STATE OF NEW MEXICO
CITY OF LORDSBURG
PROPRIETARY FUND – JOINT UTILITY
Schedule of Revenues, Expenses and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Year-Ended June 30, 2008**

	Budgeted Amounts		Actual	Favorable (Unfavorable) Difference
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 146,682	\$ 146,682	\$ 40,000	\$ (106,682)
Transfers out	(275,794)	(275,794)	(342,023)	(66,229)
Total other financing sources	<u>(129,112)</u>	<u>(129,112)</u>	<u>(302,023)</u>	<u>(172,911)</u>
Net change in fund balance			87,518	
Difference between GAAP and non-GAAP				
Adjust accrued revenue		181,206		
Assets Transferred from work in process		2,086,619		
Receipt of customer deposits		(22,145)		
Refund customer deposits		21,452		
Depreciation expense		(196,582)		
Debt service payment		25,270		
Adjust for accrued expenses		<u>5,733</u>		
			2,101,553	
Net asset-Beginning			<u>4,707,191</u>	
Net asset-Ending			<u>\$ 6,896,262</u>	

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Schedule of Depositories
June 30, 2008**

	Type	Amount Per Bank	Plus Deposit in Transit	Less O/S Checks	Balance Per Books
City of Lordsburg					
Western Bank					
Operating	CK	\$ 854,370	\$ -	\$ 58,160	\$ 796,210
Solid Waste Reserve	CK	25,023	-	-	25,023
Debt Service	CK	200,697	-	-	200,697
Swimming Pool	CK	692	-	-	692
Swimming Pool Reserve	CD	98,934	-	-	98,934
Lordsburg Investments	CD	485,142	-	-	485,142
Co-ops 2005-2007	CK	3	-	-	3
Overnight	CK	3,047,378	-	-	3,047,378
Water Fluoride Treatment	CK	180,061	-	-	180,061
Water Line Repairs	CK	75	-	-	75
Water Capital Improvement Reserve	CK	-	12,499	-	12,499
		<u>\$ 4,892,375</u>	<u>\$ 12,499</u>	<u>\$ 58,160</u>	<u>\$ 4,846,714</u>

Lordsburg Housing Authority

Western Bank					
Operating	CK	92,482	-	11,839	80,643
Overnight	MM	187,678	-	-	187,678
Time Deposit	CD	130,710	-	-	130,710
		<u>\$ 410,870</u>	<u>\$ -</u>	<u>\$ 11,839</u>	<u>\$ 399,031</u>

	Primary Government	Lordsburg Housing Authority
Amount Held in Bank June 30, 2008	\$ 4,892,375	\$ 410,870
Less FDIC Insurance	100,000	100,000
Uninsured Public Funds	<u>4,792,375</u>	<u>310,870</u>
50% Collateral Requirement (Section 6-10-17 NMSA-1978)	2,396,188	155,435
Pledged Security	<u>2,938,009</u>	<u>701,438</u>
Over Collateral	<u>\$ 541,822</u>	<u>\$ 546,003</u>

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

STATE OF NEW MEXICO
CITY OF LORDSBURG
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2008

<u>CITY OF LORDSBURG</u>	<u>DESCRIPTION</u>	<u>PLEDGE VALUE</u>	<u>NAME AND LOCATION OF SAFEKEEPER</u>
	Bloomfield, New Mexico Bonds, CUSIP # 094072AZ8, Maturing 08/15/08	\$ 45,000	Federal Home Loan Bank Dallas, Texas
	Gallup, New Mexico, CUSIP #364082FH5, Maturing 06/01/16	175,000	Federal Home Loan Bank Dallas, Texas
	Roswell, New Mexico Bonds, CUSIP # 778544CC8, Maturing 06/01/13	400,000	Federal Home Loan Bank Dallas, Texas
	FHLMC 2561-AK, CUSIP # 31393JVZ8, Maturing 06/15/16	475,002	Federal Home Loan Bank Dallas, Texas
	FNMA, CUSIP # 31394V3D0 Maturing 12/25/33	644,615	Federal Home Loan Bank Dallas, Texas
	FHLMC ARM Pool, CUSIP # 31346VH28 Maturing 07/01/30	295,398	Federal Home Loan Bank Dallas, Texas
	FHLMC 2579-DA CUSIP # 31393MA84 Maturing 12/25/33	902,994	Federal Home Loan Bank Dallas, Texas
	Subtotal	2,938,009	
<u>LORDSBURG HOUSING</u>			
	FHLMC 2594 OR CUSIP # 31393PZR8 Maturing 06/15/32	701,438	Federal Home Loan Bank Dallas, Texas
TOTAL		<u>\$ 3,639,447</u>	

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Schedule of Grants
June 30, 2008**

	State Grant	Federal Grant	Total
New Mexico Children, Youth and Families, # 08-690-5073	\$ 2,500	\$ -	\$ 2,500
U.S. Department of Transportation, Federal Aviation Administration Grant Number AIP-3-35-0026-007-2007	-	775,000	775,000
U. S. Department of Homeland Security, passed through New Mexico Department of Public Safety, Office of Emergency Management, Disaster, #FEMA 05-040-0094	-	16,624	16,624
New Mexico State Legislature SAP 06-1135-06	665,139	-	665,139
Water Fluoride Fund 053 SAP -220-95957-CP	923,541	541,791	1,465,332
Department of Homeland Security, passed through N.M. Department of Public Safety, Border Security Grant , #07-NMLO-002	118,662	10,674	129,336
Department of Homeland Security, passed through N.M. Department of Public Safety, Border Security Grant , #07-NMSG-08-LB	26,000	-	26,000
CDBG Water System Improvements passed through New Mexico Department of Finance and Administration, C-R-I-07-37	-	500,000	500,000
New Mexico Department of Transportation Aviation Division LSB 07-002	187,734	-	187,734
Drug Court	21,212	-	21,212
JJAC	62,484	-	62,484
Totals	<u>\$ 2,007,272</u>	<u>\$ 1,844,089</u>	<u>\$ 3,851,361</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
Joint Powers Agreements
June 30, 2008**

Operations of Transfer Station

Participants: County of Hidalgo and City of Lordsburg

Responsible Party: County of Hidalgo

Description: This agreement was entered into to provide for the operation of a regional transfer station

Period: March 31, 1998 to indefinitely

Project Costs: Undeterminable

City Contributions: Undeterminable

Fiscal Agent: County of Hidalgo

Audit Responsibility: County of Hidalgo

Government agency where revenues and expenditures are reported: County of Hidalgo

Inmate Housing – City of Lordsburg

Participants: County of Hidalgo and City of Lordsburg

Responsible Party: County of Hidalgo

Description: This agreement was entered into to provide for the housing of adult prisoners from the City of Lordsburg

Period: July 1, 2005 to May 23, 2007

Project Costs: Undeterminable

City Contributions: Undeterminable

Fiscal Agent: County of Hidalgo

Audit Responsibility: County of Hidalgo

Government agency where revenues and expenditures are reported: County of Hidalgo

Juvenile Services

Participants: County of Hidalgo, City of Lordsburg, and the Sixth Judicial District Court

Responsible Party: Sixth Judicial District Court

Description: To make available a continuum of services to the juveniles to reduce delinquency offenses in the County.

Period: July 1, 2006 to June 30, 2008

Project Costs: Sixth Judicial District Court agrees to pay \$48,522 over the term of the agreement.

City Contributions: Undeterminable

Fiscal Agent: City of Lordsburg

Audit Responsibility: City of Lordsburg

Government agency where revenues and expenditures are reported: Sixth Judicial District Court

STATE OF NEW MEXICO
CITY OF LORDSBURG
Schedule of Expenditures of Federal Awards
June 30, 2008

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Transportation, Federal Aviation Administration	20.106	3-35-0026-008-2006	\$ 959,031	\$ 775,000
U.S. Department of Homeland Security, passed through New Mexico Department of Public Safety, Office of Emergency Management Disaster Relief FEMA	97.088	05-040-0094	42,814	16,624
U. S. Department of Homeland Security, passed through New Mexico Department of Public Safety, Border Protection Grant	97.007	07-NMSG-08-LB	549,898	10,674
CDBG-Water Systems Improvement	14.219	ENW-2005-FG-113000	500,000	500,000
CDBG-Water Systems Improvement	14.219	053 SAP-220-95957-CP	541,791	541,791
Total			<u>\$ 2,593,534</u>	<u>\$ 1,844,089</u>

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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

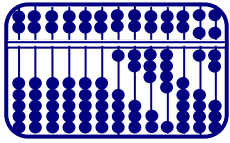
STATE OF NEW MEXICO
CITY OF LORDSBURG
LORDBURG PUBLIC HOUSING AUTHORITY
Financial Assessment Submission
June 30, 2008

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund	Other Federal Program 1	Total
111	Cash-Unrestricted	\$ 399,031	\$ -	\$ -	\$ 399,031
112	Cash-Restricted-Modernization	-	-	-	-
114	Cash-Tenant Security Deposits	-	-	-	-
100	Total Cash	399,031	-	-	399,031
122	Accts Receivable – HUD Other	7,984	-	-	7,984
125	Accts Receivable – Miscellaneous	94	-	-	94
126	Accts Receivable – Tenants – Rents	1,494	-	-	1,494
126.1	Allowance for Doubtful Accts-Rents	-	-	-	-
126.2	Allowance for Doubtful Accts -Other	-	-	-	-
120	Total Receivables, net of allowances	9,572	-	-	9,572
144	Interprogram Due From	-	20,909	-	20,909
150	Total Current Assets	408,603	20,909	-	429,512
161	Land	100,000	-	-	100,000
162	Buildings	2,450,758	-	-	2,450,758
164	Furniture, Equipment & Machinery	129,660	-	-	129,660
165	Leasehold Improvements	1,609,061	-	-	1,609,061
166	Accumulated Depreciation	(2,444,295)	-	-	(2,444,295)
160	Total Fixed Assets, Net of Acc. Dep.	1,845,184	-	-	1,845,184
180	Total Non-Current Assets	1,845,184	-	-	1,845,184
190	Total Assets	2,253,787	20,909	-	2,274,696
312	Accounts Payable <= 90 Days	21,424	-	-	21,424
321	Accrued Wage/Payroll Taxes Payable	-	-	-	-
322	Accrued Compensated Absences-Cur.	2,157	-	-	2,157
333	Accounts Payable-Other Govt.	-	-	-	-
341	Tenant Security Deposits	14,050	-	-	14,050
347	Interprogram Due To	20,909	-	-	20,909
310	Total Current Liabilities	58,540	-	-	58,540
350	Total Non-Current Liabilities	-	-	-	-
300	Total Liabilities	58,540	-	-	58,540
508	Total Contributed Capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Rel.	1,845,184	-	-	1,845,184
511	Total Reserved Fund Balance	-	-	-	-
511.1	Restricted Net Assets	-	20,909	-	20,909
512.1	Unrestricted Net Assets	350,063	-	-	350,063
513	Total Equity/Net Assets	2,195,247	20,909	-	2,216,156
600	Total Liabilities and Equity/Net Assets	\$ 2,253,787	\$ 20,909	\$ -	\$ 2,274,696

STATE OF NEW MEXICO
CITY OF LORDSBURG
LORDSBURG PUBLIC HOUSING AUTHORITY
Financial Assessment Submission
June 30, 2008

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund	Other Federal Program 1	Total
703	Net Tenant Rental Revenue	300,404	-	-	300,404
705	Total Tenant Revenue	300,404	-	-	300,404
706	HUD PHA Operating Grants	195,748	-	-	195,748
706.1	Capital Grants	-	180,971	-	180,971
711	Investment Income-Unrestricted	11,057	31	-	11,088
713	Proceeds from Disposition of Assets Held for Sale	-	-	-	-
713.1	Cost of Sale of Assets	-	-	-	-
715	Other Revenue	2,479	-	-	2,479
720	Investment Income-Restricted	-	-	-	-
700	Total Revenue	509,688	181,002	-	690,690
911	Administrative Salaries	90,771	-	-	90,771
912	Auditing Fees	5,148	-	-	5,148
914	Compensated Absences	2,157	-	-	2,157
915	Employee Benefit Contributions-Adm	24,853	-	-	24,853
916	Other Operating –Administrative	51,881	-	-	51,881
931	Water	48,353	-	-	48,353
932	Electricity	6,428	-	-	6,428
933	Gas	54,212	-	-	54,212
938	Other Utilities Expense	18,180	-	-	18,180
941	Ordinary Maintenance and Ops-Labor	73,017	-	-	73,017
942	Ordinary Maintenance and Ops-Mat.	59,120	798	-	59,918
943	Ordinary Maintenance and Ops-Cont.	61,548	-	-	61,548
961	Insurance Premiums	21,861	-	-	21,861
964	Bad Debt-Tenant Rents	-	-	-	-
969	Total Operating Expenses	517,529	798	-	518,327
970	Excess Operating Revenue over Operating Expenses	(7,841)	180,204	-	172,363
974	Depreciation Expense	124,320	-	-	124,320
900	Total Expenses	641,849	798	-	642,647
1001	Operating Transfers In	180,971	-	-	180,971
1002	Operating Transfers Out	-	(180,971)	-	(180,971)
1010	Total Other Financing Sources (Uses)	180,971	(180,971)	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(468,719)	(1,565)	-	(470,284)
1102	Debt Principal Payments – Enterprise	-	-	-	-
1103	Beginning Equity	2,146,437	21,676	-	2,168,113
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-
1120	Unit Months Available	1,200	-	-	1,200
1121	Number of Unit Months Leased	1,140	-	-	1,140

COMPLIANCE SECTION



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

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

Hector H. Balderas
New Mexico State Auditor
The Board of Commissioners
City of Lordsburg
Lordsburg, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds and budgetary comparisons presented as supplemental information of the City of Lordsburg as of and for the year-ended June 30, 2008, and have issued our report thereon dated October 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described as 06-02, 06-03, 07-02, 07-06, 07-07, and 07-10 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above it are not a material weakness.

Compliance and Other Matters

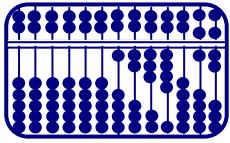
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 07-01, 07-04, 07-05, and 07-08.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, Federal and State Awarding agencies, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and the Office of the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Marc Fair, Bristol Co. LLP". The signature is written in a cursive style.

El Paso, Texas
October 5, 2009



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas
New Mexico State Auditor
The Board of Commissioners
City of Lordsburg
Lordsburg, New Mexico

Compliance

We have audited the compliance of the City of Lordsburg with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year-ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred. An audit includes the examining, on a test basis, evidence about the City's compliance with those requirements and performing of such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Lordsburg complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year-ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Lordsburg is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lordsburg's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lordsburg's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 06-05 to be a significant deficiency.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, Federal and State Awarding agencies, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and the Office of the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Marcus, Fairall, Bristol + Co., LLP
El Paso, Texas

October 5, 2009

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year-Ended June 30, 2008**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Qualified

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes _____ X No
- Significant deficiency (s) identified that are not considered to be material weaknesses? _____ X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ Yes _____ X No
- Significant deficiency (s) identified that are not considered to be material weakness (es)? _____ X Yes _____ None reported

Type of auditors’ report issued on compliance with major programs: Unqualified

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

Identification of Major Programs:

<u>C DFA Number</u>	<u>Name of Federal Program or Cluster</u>
14.219	Community Development Block Grant/Water Systems Improvement
20.106	U.S. Department of Transportation, Federal Aviation Administration
14.872	U.S. Department of Housing and Urban Development, Capital Fund Grant
14.219	Community Development Block Grant/Fluoride Water System

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

Auditee qualified as low-risk auditee _____ X Yes _____ No

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year-Ended June 30, 2008**

Section II – Financial Statement Findings

Prior Year Reportable Findings and Questioned Costs – Financial statement Findings for Primary Government:

Finding 06-02 Allowance for Doubtful Accounts-Repeated

Finding 06-03 Customer Security Deposits – Repeated

Finding 06-05 Failure to Submit Report to Federal Clearing Audit-Repeated

Finding 07-01 Failure to Apply GAAP-Repeated

Finding 07-02 Completion of Audit Report-Repeated

Finding 07-03 Pledged Collateral Outside of New Mexico-Resolved

Finding 07-04 Negative Budget in Road Fund-Repeated and Modified

Prior Year Reportable Findings and Questioned Costs-Financial Statement Findings for PHA:

Finding 07-05 Failure to Maintain Net Assets in Accordance with GASB-Repeated

Finding 07-06 Failure to Distribute Interest Earned on Security Deposits-Repeated

Finding 07-07 Failure to Distribute Interest Earned on Restricted Funds-Repeated

Finding 07-08 Failure to Apply GAAP-Repeated

Finding 07-09 Pledged Collateral Outside of New Mexico-Corrected

Finding 07-10 Completion of Audit Report-Repeated

Current Year Reportable Findings and Questioned Costs – Financial statement Findings for Primary Government:

Finding 06-02 Allowance for Doubtful Accounts

Condition

The City failed to establish an allowance for doubtful accounts in the Joint Utilities Fund.

Criteria

GASB Statement No. 34, ¶100 states Proprietary Fund revenues should be reported net of allowances with the allowance amount disclosed on the financial statements.

Effect

Uncollectible receivable amounts from customers that are not being charged off. There are balances totaling \$177,012 which have been due from customers for over three months.

Cause

The City personnel were not aware of the aging of the accounts receivable, and therefore had no control over the uncollectible portion of the receivables.

Recommendation

The City personnel need to establish a policy for determining an allowance for uncollectible receivables.

Response

Management did not provide a response to this.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year-Ended June 30, 2008**

Current Year Reportable Findings and Questioned Costs – Financial statement Findings for Primary Government:
(cont.)

Finding 06-03 Customer Security Deposits

Condition

The City failed to establish control of Customer Security Deposits in the Joint Utilities Fund.

Criteria

Cash control and cash reporting is an integral part of any internal control system. NMSA 1978 Section 6-6-3 requires adequate internal control be established by the City.

Effect

The security deposit ledger shows a balance of \$75,078, but the cash account shows a balance of \$17,608 resulting in a difference of \$57,470.

Cause

The City personnel were not reconciling customer security deposits timely.

Recommendation

The City personnel need to establish a policy for reconciling the customer deposits to the cash balance.

Response

We are in the process of establishing a control and detail accounts for deposits will reconcile.

Finding 06-05 Failure to Submit Report Package to Federal Clearing Audit

US Department of Housing and Urban Development; Passed through NM Department of Finance and Administration, Local Government Division, Community Development Block Grant, CFDA #14.219

Condition

The data collection form for the year ending June 30, 2008 and the reporting package were not submitted to the federal clearing house within 9 months after the fiscal year end.

Criteria

OMB Circular A-133 Sec. 320 requires the City of Lordsburg to submit the data collection form and the reporting package to be submitted to the federal clearing house if a single audit is performed.

Cause

Lack of understanding the submission requirements of filing the reporting package with the data collection form.

Effect

Federal grant compliance is not being adhered to and federal reports are not being submitted.

Questioned Costs

None.

Recommendation

The City should make sure the reporting package is submitted to the federal clearing house with the data collection form by the required due date.

Response

The package that must be submitted to the federal clearing house will be submitted on a timely basis in the future.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year-Ended June 30, 2008**

Current Year Reportable Findings and Questioned Costs – Financial statement Findings for Primary Government:
(cont.)

Finding 07-01 Failure to Apply GAAP

Condition

The City did not maintain adequate accounting records in accordance with accounting principles generally accepted in the United States of America and could not provide complete, accurate, and timely information.

Criteria

Key employees or management should be trained in GAAP principles in recording the City's financial transactions and in preparing its financial statements (Subsection H, 2.2.2.8 NMAC; SAS 112)

Cause

Key employees were not trained to be able to apply GAAP principles in recording the preparing the City's financial statements.

Effect

The key employees were not able to apply GAAP principles when recording transactions and in preparing the City's financial statements. Due to this problem the employees could not provide complete, accurate, and timely information.

Recommendation

We suggest that management ensure that all employees receive training in applying generally accepted accounting principles when recording daily transactions.

Response

The chief financial officer is in the process of developing the system that provides the information for the financial statements on a GAAP basis.

Finding 07-02 Completion of Audit Report

Condition

The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The report was delivered on October 20, 2009.

Criteria

As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by December 1, 2008.

Cause

The audit was not submitted to the City until October 5, 2009. The current year auditor's contract was not awarded in the normal course of distribution on a timely basis. Also, additional time was needed by the auditor to assemble the necessary financial information.

Effect

Violation of the State Auditor's Rule SAO 2.2.2.9, A (4). Audited financial information is not available for the City to use and distribute as necessary.

Recommendation

The City, along with the auditor, must implement procedures that would produce a timely audit. Proper accounting control must be established where the City staff is able to produce financial information for the auditor that has been properly reconciled.

Response

We will work closer with the independent auditor to be sure that future audits will be filed on a timely basis.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year-Ended June 30, 2008**

Current Year Reportable Findings and Questioned Costs – Financial statement Findings for Primary Government:
(cont.)

Finding 07-04 Negative Budget

Condition

The expenditures budgeted in the original and amended budgets of the Road Fund were greater than the revenue budgeted in those same budgets. The City did not submit a corrected budget. This set of facts was also true for the General Fund, Cemetery Fund, Recreation Fund, Fluoride Treatment Fund, Special Events Center, CDBG 2007 Water Project, 2007-2008 CO-OP Project, and the Joint Utilities Funds.

Criteria

The local government is required to make corrections, revisions and amendments to the proposed budgets to meet the requirements of the law. (NMSA 1978 Section 6-6-2-D)

Cause

Management did not review the budgets and make the corrections needed to address the deficiencies.

Effect

The expenditures budgeted in the original and amended budgets of the funds listed above were in excess of the revenue. This resulted in a negative budget condition. The City violated state statutes by not correcting the budgets. See Note 15.

Recommendation

We suggest that management carefully review the budgets prior to submission to the Local Government Division of the Department of Finance Administration to ensure compliance with state statutes.

Response

Management did not provide a response to this.

Current Year Reportable Findings and Questioned Costs – Financial statement Findings for PHA:

07-05 Failure to Maintain Net Assets in Accordance with GASB

Condition – The fee accountant is not maintaining the net assets in accordance with GASB 34. The accounts used in place of net assets were as follows: Retained Earnings, \$6,457.

Cause – Two sets of transactions were posted to the Retained Earnings account instead of being posted to the Unrestricted Net Assets account.

Criteria – GASB 34, ¶429 and 430, and SAS 112 require that proprietary funds use a classified format in which current and non-current assets, liabilities, restricted assets and unrestricted assets should be distinguished based on the guidance in ARB 43.

Effect – The financial reports prepared by the fee accountant were not prepared in a classified format in which current and non-current assets, liabilities, restricted assets and unrestricted assets could be distinguished in accordance with compliance with GASB 34 or SAS 112.

Recommendation – We suggest that management and the fee accountant work together to make sure that no transactions be posted to the Retained Earnings account, but instead be posted to either the Restricted Net Assets account or the Unrestricted Net Assets Account, depending on the circumstances of the transaction.

Response – The software program has been updated. The fee accountant shall on a monthly report post all adjusting entries within the books. The Finance Officer has been scheduled for training to comply with the requirements for posting adjusting journal entries pertaining to GASB 34.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year-Ended June 30, 2008**

Current Year Reportable Findings and Questioned Costs – Financial statement Findings for PHA(cont)

07-06 Failure to Distribute Interest Earned on Security Deposits

Condition – Funds of \$14,050 of the security deposit account were commingled with funds transferred into an interest-bearing savings account which is available for general operations. Interest was earned in the amount of \$3,402. The portion attributable to security deposit trust was accounted for in the security deposit liability account. The interest earnings were kept in the low-income housing fund which permitted these funds to be used in general operations.

Cause – The Board of Trustees ordered the transfer of funds from the security deposit trust account to an interest-bearing savings account which was available for general operations.

Criteria – The owner shall be required to pay annually to the residents an interest amount equal to the passbook interest permitted to savings and loan associations in this state by the federal home loan bank board on such deposits. (Section 47-8-18, NMSA 1978)

Effect – Interest was earned in the amount of \$3,402. The portion attributable to security deposit trust was not accounted for in the security deposit liability account. The interest earnings were kept in the low-income housing fund which permitted these funds to be used for operations. This is a violation of proper procedures for accounting for a restricted trust account.

Recommendation – We recommend the interest on these funds be properly accounted for in the liability of the security deposits which will permit the interest to be paid to the tenants upon termination. Also, the amount transferred to the general operations account should be transferred back into a security deposit account. An estimate should be made of the interest that would have been earned from the money was transferred into the general operations account through the end of the fiscal year. That amount should also be transferred into the security deposit account. There should be a separate account for the security deposits and the related interest earned on the security deposits amount.

Response – The Finance Officer drafted a spreadsheet to render interest to residents as earned permitting the interest to be paid upon termination of tenancy. These funds are now currently in an interest bearing account with Western Bank and will be transferred into a non-interest bearing account.

07-07 Failure to Distribute Interest Earned on Restricted Funds

Condition – The interest earned on the restricted land funds account in the amount of \$31 was transferred into an unrestricted funds general operating account.

Cause – The funds in a restricted fund were commingled with unrestricted funds in a general operating account.

Criteria – The agreement for the land that was donated to the LPHA restricts the use of funds in this account. The money is not to be transferred into a bank account that is used for day to day operations. The interest earned in this account has to be maintained separately in this account and is also not to be transferred into a bank account that is interest-bearing and is used for general operations. (Sec 47-8-18, NMSA 1978)

Effect – The combining of restricted funds with unrestricted funds violates the terms of the agreement for the donated land.

Recommendation – We suggest that the money transferred into the general operating account be transferred back into a restricted account. Also, an estimate should be made of the interest that would have been earned from the time the account was transferred until the end of the fiscal year. This amount of money should also be deposited in the restricted account.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year-Ended June 30, 2008**

Current Year Reportable Findings and Questioned Costs – Financial statement Findings for PHA(cont)

07-07 Failure to Distribute Interest Earned on Restricted Funds(cont)

Response – This money is to be transferred to a non-interest bearing restricted account. Any interest that was earned up until the time of the transfer will be carried over into the new account and will be paid to the tenants upon termination of their residency.

Finding 07-08 Failure to Apply GAAP

Condition-The LPHA did not maintain adequate accounting records in accordance with accounting principles generally accepted in the United States of America and could not provide complete, accurate, and timely information. During the course of the audit we noted several accounting errors in the general ledger. The fixed asset schedule did not reflect the correct depreciation expense for the year and several accounts were not reconciled. Accounts payable did not reconcile by \$6,482. Bank reconciliations were not prepared on a timely basis.

Criteria-Key employees or management should be trained in GAAP principles in recording the PHA's financial transactions and in preparing its financial statements (Subsection H, 2.2.2.8 NMAC; SAS 112). New Mexico State Statute Section 6-6-3 provides that every local body shall keep all of the books, records, and accounts, including subsidiary ledgers, timely, completely, and accurately.

Cause-Key employees need the qualifications and training to apply GAAP principles in preparing the LPHA's financial statements.

Effect-The key employees were not able to apply GAAP principles when recording transactions and in preparing the LPHA's financial statements. Due to this problem the employees could not provide complete, accurate, and timely information.

Recommendation-We suggest that management ensure that all employees receive training in applying generally accepted accounting principles when recording daily transactions.

Response-The Finance Officer has registered to attend State Auditors Training in May 2009 regarding financial audit and protocol pertaining to the principles in preparing the financial statements.

Finding 07-10 Completion of Audit Report

Condition-The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The report was delivered on May 5, 2009.

Criteria-As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by December 1, 2008.

Cause-The audit was not submitted to the LPHA until April 7, 2009. Additional time was needed by the auditor to assemble the necessary financial information.

Effect-Violation of the State Auditor's Rule. Audited financial information is not available for the LPHA to use and distribute as necessary.

Recommendation-The LPHA, along with the auditor, must implement procedures that would produce a timely audit. Proper accounting control must be established where the LPHA staff is able to produce financial information for the auditor that has been properly reconciled.

Response-The Finance Officer shall be monitored on a monthly basis as per the reports and reconciliations. The fee accountant shall work diligently with the Finance Officer.

STATE OF NEW MEXICO
CITY OF LORDSBURG
Exit Conference
June 30, 2008

EXIT CONFERENCE

As exit conference was held on October 5, 2009, with Jack Fairall, CPA, of Marcus, Fairall, Bristol + Co., L.L.P. and the following City officials:

Mayor Arthur Clark
City Clerk, Irene Galvan
Chief Financial Officer, Theodore Castillo

COMPILATION OF FINANCIAL STATEMENTS

The financial statements presented in this report were compiled by the auditors, Marcus, Fairall, Bristol, + Co., L.L.P. However, the contents remain the responsibility of the City.