

**State of New Mexico  
City of Lordsburg**

**Basic Financial Statements and  
Supplementary Information  
for the Year Ended June 30, 2009  
and Independent Auditors' Report**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

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**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**OFFICIAL ROSTER  
JUNE 30, 2009**

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**CITY OF LORDSBURG  
ELECTED OFFICIALS**

Arthur Clark Smith	Mayor
Alfredo Morelos	Councilor
Frank Rodriguez	Councilor
Ernest Gallegos	Councilor
Arturo Talavera	Councilor
Eduardo Lopez	Councilor
Manuel Saucedo	Councilor

**CITY OF LORDSBURG  
DEPARTMENT HEADS**

Irene Galvan	City Clerk
Theodore Castillo	Finance Officer
Robert Hall	Sheriff
James Hall	Judge

**LORDSBURG PUBLIC HOUSING AUTHORITY  
BOARD OF COMMISSIONERS**

Arthur Clark Smith	Chairman of the Board
Arturo Talavera	Commissioner
Eduardo Lopez	Commissioner
Ernest Gallegos	Commissioner
Alfredo Morelos	Commissioner
Manuel Saucedo	Commissioner
Frank Rodriguez	Commissioner

**LORDSBURG PUBLIC HOUSING AUTHORITY  
OFFICIALS**

Esperanza Tarango	Executive Director
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## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor  
and the Mayor and City Council of the  
City of Lordsburg, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Lordsburg, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, and the budgetary comparisons for the major capital project funds, debt service funds and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general 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 nonmajor governmental funds of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds, debt service funds and all nonmajor funds 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 our report dated May 4, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The management's discussion and analysis on pages 4 - 13 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A- 133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*White + Sanabria + Campbell, LLP*

El Paso, Texas  
May 4, 2011

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

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This section of City of Lordsburg's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- The assets of the City of Lordsburg exceeded its liabilities at the close of the most recent fiscal year end by \$21,518,403 (net assets). Of this amount, \$4,382,567 (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 \$3,047,176 during the fiscal year. The majority of this is due to an increase in taxes and decrease in total expenditures when compared to the year ended June 30, 2008.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$3,858,370. Of this total, \$1,527,597 is reserved for special revenue and capital projects.
- At the close of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$2,062,091.

**Overview of the Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

**Government-Wide Statements**

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

The *statements of net assets* presents information on all of the 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 the 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*. 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 taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the 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 the 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.

## **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. The 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 the 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 expendable resources*, as well as on *balances of expendable 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*.

The City maintains seventeen individual governmental funds organized according to their type (special revenue, capital projects and debt service). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Water Fluoride Fund, and Water Line Repair Fund, all of which are considered to be major funds. Data from the other fourteen 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.

The 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, Lodgers 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.

### ***Proprietary Funds***

*Proprietary funds* are generally used to account for services for which the City charges customers -either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains one proprietary fund and one component unit, the Lordsburg Public Housing Authority. The proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements.

### **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 28 to 43 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.

### **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 the City, assets exceeded liabilities by \$21,518,403 at the close of the current fiscal year.

The largest portion of the City of Lordsburg's net assets represent the City's investment of \$15,339,557 in capital assets (e.g., land, construction in progress, improvements, buildings, infrastructure, and machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

A portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$4,382,567 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City 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**

During the current fiscal year, the City's net assets in governmental and business-type activities increased by \$3,047,176. These increases are explained in the governmental activities discussion.

#### ***Governmental Activities***

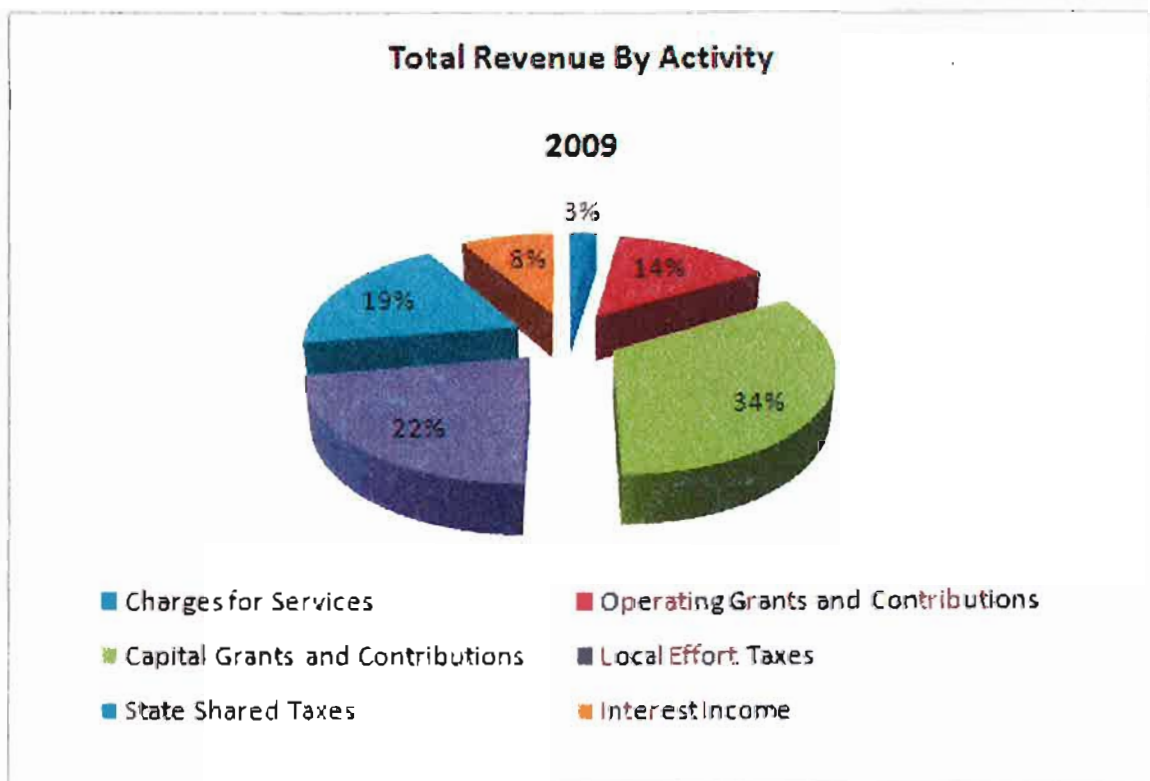
Governmental activities increased the City's net assets by \$2,524,601. Grant revenue increased \$100,910 over grant revenue in the prior year. Property taxes, gross receipts taxes and other taxes contributed \$2,339,525 for covering the \$3,396,262 program expense associated with governmental activities during FY2009.

Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The total revenues decreased \$1,474,223.

Total revenues from governmental activities are summarized below. For fiscal year 2008-2009, Local and State taxes made up 42% of the total general government revenues compared to 36% of the revenues in the prior year.

***Business-Type Activities***

Business-type activities increased the City's net assets by \$522,575 after transfers of \$316,000 out to the general fund, compared to the prior year's increase of \$2,189,071 after transfers of \$1,784,596 from the general fund. The key element of this increase compared to the prior year change was a increased in charges for services and a decreases of expenditures for the water system during the current year.



STATE OF NEW MEXICO  
CITY OF LORDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SUMMARY OF NET ASSETS

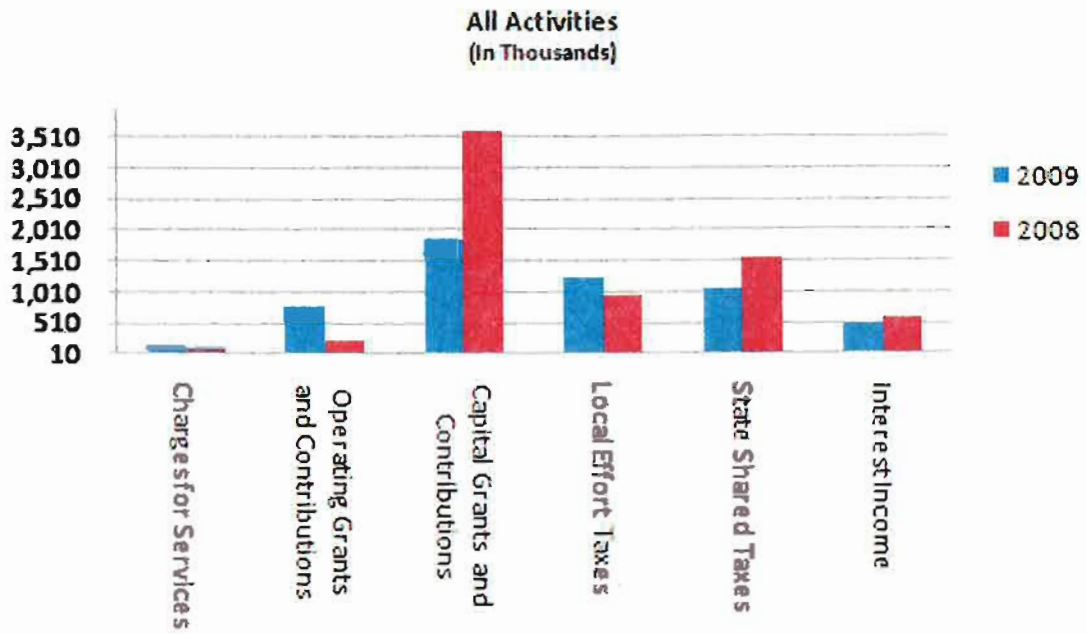
	Governmental Activities		Business-Type Activities		Total	Total Percentage Change	Component Unit	
	2009	2008	2009	2008			2009	2008
<b>ASSETS</b>								
Current and other assets	\$ 4,031,380	\$ 5,121,827	\$ 2,396,592	\$ 635,581	\$ 6,427,972	\$ 5,757,408	0.12 %	\$ 405,231
Non current assets	-	-	75,221	365,452	75,221	365,452	(0.79)%	13,478
Capital assets, net of accumulated depreciation	10,601,913	8,305,974	6,439,352	6,300,484	17,041,265	14,606,458	0.17 %	1,896,669
Total assets	\$14,633,293	\$13,427,801	\$ 8,911,165	\$ 7,301,517	\$23,544,458	\$20,729,318	0.14 %	\$ 2,315,378
<b>LIABILITIES</b>								
Current and other liabilities	\$ 234,193	\$ 510,667	\$ 87,194	\$ 127,219	\$ -	\$ 637,886	(1.00)%	\$ 65,171
Long-term liabilities	1,376,142	1,178,321	328,526	278,036	-	1,456,357	(1.00)%	-
Total liabilities	1,610,335	1,688,988	415,720	405,255	2,026,055	2,094,243	(0.03)%	65,171
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	9,172,557	7,067,056	6,167,000	6,002,104	15,339,557	13,069,160	0.17 %	1,896,669
Restricted	1,796,279	490,463	-	360,344	1,796,279	850,807	1.11 %	20,909
Unrestricted	2,054,122	4,181,294	2,328,445	533,814	4,382,567	4,715,108	(0.07)%	332,629
Total net assets	13,022,958	11,738,813	8,495,445	6,896,262	21,518,403	18,635,075	0.15 %	2,250,207
Total liabilities and net assets	\$14,633,293	\$13,427,801	\$ 8,911,165	\$ 7,301,517	\$23,544,458	\$20,729,318	0.14 %	\$ 2,315,378
								\$ 2,274,696

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

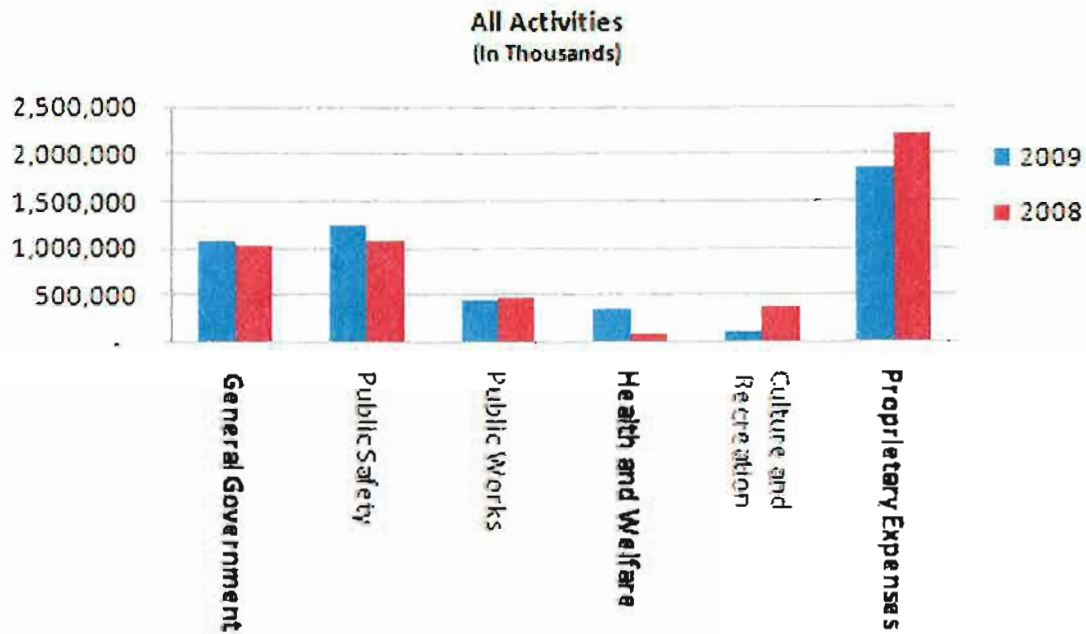
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change	Component Unit	
	2009	2008	2009	2008	2009	2008		2009-2008	2009-2008
<b>REVENUES</b>									
Program revenue:									
Charges for services	\$ 137,898	\$ 112,224	\$ 2,209,258	\$ 2,170,274	\$ 2,347,156	\$ 2,282,498	0.03 %	\$ 282,601	\$ 302,883
Operating grant and contributions	787,511	232,156	301,425	-	1,088,936	232,156	3.69 %	216,494	195,748
Capital grants and contributions	1,871,504	3,619,205	-	-	1,871,504	3,619,205	(0.48)%	182,473	180,971
General revenues:									
Taxes	2,339,525	2,527,769	143,348	149,625	2,482,873	2,677,394	(0.07)%	-	-
Other income	468,425	587,732	39,851	288,911	508,276	876,643	(0.42)%	6,326	11,088
Total revenues	5,604,863	7,079,086	2,693,882	2,608,810	8,298,745	9,687,896	(0.14)%	687,894	690,690
<b>EXPENSES</b>									
General government	1,072,213	1,020,397	-	-	1,072,213	1,020,397	0.05	653,843	642,647
Public safety	1,240,621	1,070,007	-	-	1,240,621	1,070,007	0.16 %	-	-
Public works	439,556	470,333	-	-	439,556	470,333	(0.07)%	-	-
Health and welfare	355,580	86,986	-	-	355,580	86,986	3.09 %	-	-
Cultural and recreation	288,292	377,167	-	-	288,292	377,167	(0.24)%	-	-
Proprietary expenses	-	-	1,855,307	2,204,335	1,855,307	2,204,335	(0.16)%	-	-
Total expenses	3,396,262	3,024,890	1,855,307	2,204,335	5,251,569	5,229,225	- %	653,843	642,647
Changes in net assets before transfers	2,208,601	4,054,196	838,575	404,475	3,047,176	4,458,671	(0.32)%	34,051	48,043
Transfers	316,000	(1,784,596)	(316,000)	1,784,596	-	-	- %	-	-
Changes in net assets	2,524,601	2,269,600	522,575	2,189,071	3,047,176	4,458,671	(0.32)%	34,051	48,043
Net assets - beginning	11,738,813	9,469,213	6,896,262	4,707,191	18,635,075	14,176,404	0.31 %	2,216,156	2,168,113
Restatement	(1,240,456)	-	1,076,608	-	(163,848)	-	- %	2,216,156	2,168,113
Net assets - beginning, restated	10,498,357	9,469,213	7,972,870	4,707,191	18,471,227	14,176,404	0.30 %	2,216,156	2,168,113
Net assets - ending	\$13,022,958	\$11,738,813	\$ 8,495,445	\$ 6,896,262	\$21,518,403	\$18,635,075	0.15 %	\$ 2,250,207	\$ 2,216,156

### Comparison of Revenue - By Function



### Comparison of Expenses - By Function



## **Financial Analysis of the City of Lordsburg as a Whole**

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

### ***Governmental Funds***

The focus of the City of Lordsburg's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the 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 County include the General Fund, Special Revenue Funds, Capital Project Funds and Debt Service Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,858,370, an increase of \$426,269 in comparison with the prior year. The increase is primarily due to the increase in grant revenue. Approximately 53% of this total amount, \$2,062,091 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay special revenue and capital projects, \$1,527,597.

Revenues for governmental functions overall totaled approximately \$5,582,697 in the fiscal year-ended June 30, 2009, which represents a decrease of \$1,496,389 from the fiscal year-ended June 30, 2008. Expenditures for governmental functions totaled \$5,591,428. This was a decrease of approximately \$729,255 from the fiscal year-ended June 30, 2008. In the fiscal year-ended June 30, 2009, expenditures for governmental functions exceeded revenues by approximately \$8,731.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,062,091.

The fund balance of the City's General Fund increased \$42,836 during the current fiscal year.

### ***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 the Joint Utilities were \$2,328,445. The total increase in net assets for the proprietary fund was \$522,575.

## **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 Members, community input meetings, long-term plans and input from various staff groups to develop the City budget. The City priorities are well defined through out this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

## General Fund Budgetary Highlights

The General Fund accounts for all of the general services provided by the City of Lordsburg. The City has not modified the budget throughout the fiscal year. If modifications were needed, this is done with resolutions to the budget.

### Change in Cash and Investments

At the end of 2009, the cash and investments balance of the General Fund had increased by \$1,261,076.

### Capital Asset and Debt Administration

#### Capital Assets

The City of Lordsburg's capital assets for its governmental and business-type activities as of June 30, 2009 amount to \$17,041,265 (net of accumulated depreciation). Capital assets include land, work in progress, improvements, buildings, machinery and equipment, and infrastructure. The total increase in the City's capital assets (excluding accumulated depreciation) for the current fiscal year was \$2,673,253 for governmental activities. Improvements and machinery and equipment costing \$646,678 was purchased for the City and land and construction in progress of \$2,026,575. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$375,967, due to improvements and purchase of machinery and equipment. There were no deletions in the governmental activities or in the business-type during 2009.

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:

#### Capital Assets, Net of Depreciation June 30, 2009

	Governmental Activities		Business - Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and Construction in Progress	\$ 3,961,651	\$ 1,935,076	\$ 87,715	\$ 87,715	\$ 4,049,366	\$ 2,022,791
Building & Infrastructure	5,692,956	5,471,015	6,172,603	6,042,980	11,865,559	11,513,995
Machinery and Equipment	<u>947,306</u>	<u>899,883</u>	<u>179,034</u>	<u>169,789</u>	<u>1,126,340</u>	<u>1,069,672</u>
Capital Assets, Net of A/D	<u>\$10,601,913</u>	<u>\$ 8,305,974</u>	<u>\$ 6,439,352</u>	<u>\$ 6,300,484</u>	<u>\$17,041,265</u>	<u>\$14,606,458</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 5 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

The Statement of Net Assets shows the Investment in Capital Assets-Governmental Funds in the amount of \$15,339,557. This investment includes the land, work in progress, buildings, improvements, infrastructure and machinery and equipment, net of all applicable debt service.

The City's long term debt is summarized as follows. Additional information on the City's debt can be found in Note 7.



**Long Term Debt**  
**June 30, 2009**

	<b>Governmental Activities</b>		<b>Business - Type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Notes Payable	\$ 419,356	\$ 208,918	\$ 272,352	\$ 298,380	\$ 691,708	\$ 507,298
Bond Payable	1,010,000	1,030,000	-	-	1,010,000	1,030,000
Compensated Absences	<u>30,135</u>	<u>21,826</u>	<u>15,525</u>	<u>11,369</u>	<u>45,660</u>	<u>33,195</u>
Total Long Term Debt	<b><u>\$ 1,459,491</u></b>	<b><u>\$ 1,260,744</u></b>	<b><u>\$ 287,877</u></b>	<b><u>\$ 309,749</u></b>	<b><u>\$ 1,747,368</u></b>	<b><u>\$ 1,570,493</u></b>

**Contacting the City of Lordsburg's Financial Management**

This financial report is designed to provide a general overview of the City of Lordsburg's finances for 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; 409 West Wabash Street, Lordsburg NM 88045.

**GOVERNMENTAL - WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 1,210,330	\$ 347,001	\$ 1,557,331	\$ 370,881
Investment	2,495,940	1,669,710	4,165,650	-
Accounts receivable	305,753	379,881	685,634	1,513
Other assets	-	-	-	32,837
Due from other funds	19,357	-	19,357	-
Total current assets	4,031,380	2,396,592	6,427,972	405,231
<b>NON-CURRENT ASSETS:</b>				
Restricted assets - cash	-	75,221	75,221	13,478
Capital assets	13,980,190	7,933,847	21,914,037	4,471,953
Less accumulated depreciation	(3,378,277)	(1,494,495)	(4,872,772)	(2,575,284)
Total assets	<u>\$ 14,633,293</u>	<u>\$ 8,911,165</u>	<u>\$ 23,544,458</u>	<u>\$ 2,315,378</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 58,925	\$ 35,546	\$ 94,471	\$ 16,639
Accrued salaries	72,562	17,076	89,638	-
Due to other funds	19,357	-	19,357	-
Compensated absences	15,068	7,763	22,831	6,303
Other liabilities	-	-	-	28,529
Current portion of long term debt	68,281	26,809	95,090	-
Total current liabilities	234,193	87,194	321,387	51,471
<b>NON-CURRENT LIABILITIES:</b>				
Compensated absences	15,067	7,762	22,829	-
Customer deposits	-	75,221	75,221	13,700
Long term debt, less current maturities	1,361,075	245,543	1,606,618	-
Total liabilities	<u>1,610,335</u>	<u>415,720</u>	<u>2,026,055</u>	<u>65,171</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,172,557	6,167,000	15,339,557	1,896,669
Restricted for:				
Reserved for capital projects funds	536,318	-	536,318	20,909
Reserved for special revenue funds	991,279	-	991,279	-
Reserved for debt services	268,682	-	268,682	-
Unrestricted	2,054,122	2,328,445	4,382,567	332,629
Total net assets	<u>\$ 13,022,958</u>	<u>\$ 8,495,445</u>	<u>\$ 21,518,403</u>	<u>\$ 2,250,207</u>

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

FUNCTIONAL/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,072,213	\$ 82,920	\$ 660,331	\$ -	\$ (328,962)	\$ -	\$ (328,962)	\$ -
Public safety	1,240,621	22,173	127,180	-	(1,091,268)	-	(1,091,268)	-
Public works	439,556	-	-	1,871,504	1,431,948	-	1,431,948	-
Culture and recreation	355,580	32,805	-	-	(322,775)	-	(322,775)	-
Health and welfare	288,292	-	-	-	(288,292)	-	(288,292)	-
Total governmental activities	3,396,262	137,898	787,511	1,871,504	(599,349)	-	(599,349)	-
Business-type activities:								
Joint Utilities								
Water	447,070	831,246	-	-	-	384,176	384,176	-
Gas	909,134	708,915	-	-	-	(200,219)	(200,219)	-
Sewer	202,335	283,101	301,425	-	-	382,191	382,191	-
Solid waste	296,768	385,996	-	-	-	89,228	89,228	-
Total business-type activities	1,855,307	2,209,258	301,425	-	-	655,376	655,376	-
Total primary government	5,251,569	2,347,156	1,088,936	1,871,504	(599,349)	655,376	56,027	-
Component Unit	653,843	282,601	216,494	182,473	-	-	-	27,725
General Revenues:								
Taxes								
Local taxes					1,269,425	143,348	1,412,773	-
State shared taxes					1,070,100	-	1,070,100	-
Small cities assistance					231,932	-	231,932	-
Licenses and permits					10,566	-	10,566	-
Fines and forfeitures					91,954	-	91,954	-
Interest					5,437	835	6,272	2,963
Miscellaneous					128,536	39,016	167,552	3,363
Transfers					316,000	(316,000)	-	-
Total general revenues and transfers					3,123,950	(132,801)	2,991,149	6,326
Changes in net assets					2,524,601	522,575	3,047,176	34,051
Net assets, beginning of year as previously reported					11,738,813	6,896,262	18,635,075	2,216,156
Restatement					(1,240,456)	1,076,608	(163,848)	-
Net assets, beginning of year, as restated					10,498,357	7,972,870	18,471,227	2,216,156
Net assets, end of year					13,077,958	8,495,445	21,573,403	2,250,207

See independent auditors' report and accompanying notes to financial statements

**GOVERNMENTAL FUND STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	General Fund	Water Fluoride Fund	Water Line Repair Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 245,512	\$ 345,270	\$ 90,791	\$ 528,757	\$ 1,210,330
Investments	1,763,403	-	-	732,537	2,495,940
Accounts receivable	164,016	-	-	141,737	305,753
Due from other funds	19,357	-	-	-	19,357
	<u>2,192,288</u>	<u>345,270</u>	<u>90,791</u>	<u>1,403,031</u>	<u>4,031,380</u>
Total assets	<u>\$ 2,192,288</u>	<u>\$ 345,270</u>	<u>\$ 90,791</u>	<u>\$ 1,403,031</u>	<u>\$ 4,031,380</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities.</b>					
Accounts payable	\$ 45,574	\$ -	\$ -	\$ 13,351	\$ 58,925
Accrued salaries	62,457	-	-	10,105	72,562
Due to other funds	-	-	-	19,357	19,357
Deferred revenue	22,166	-	-	-	22,166
	<u>130,197</u>	<u>-</u>	<u>-</u>	<u>42,813</u>	<u>173,010</u>
Total liabilities	<u>130,197</u>	<u>-</u>	<u>-</u>	<u>42,813</u>	<u>173,010</u>
<b>Fund balances:</b>					
Reserved for capital projects funds	-	345,270	90,791	100,257	536,318
Reserved for special revenue funds	-	-	-	991,279	991,279
Reserved for debt services	-	-	-	268,682	268,682
Unreserved	2,062,091	-	-	-	2,062,091
	<u>2,062,091</u>	<u>345,270</u>	<u>90,791</u>	<u>1,360,218</u>	<u>3,858,370</u>
Total fund balances	<u>2,062,091</u>	<u>345,270</u>	<u>90,791</u>	<u>1,360,218</u>	<u>3,858,370</u>
Total liabilities and fund balances	<u>\$ 2,192,288</u>	<u>\$ 345,270</u>	<u>\$ 90,791</u>	<u>\$ 1,403,031</u>	<u>\$ 4,031,380</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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**Total fund balances - governmental funds** **\$ 3,858,370**

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

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

The cost of capital assets	13,980,190	
Accumulated depreciation	<u>(3,378,277)</u>	10,601,913

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

Property taxes		22,166
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Other long-term liabilities and certain other 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 and other liabilities at year end consist of:

Notes payable	1,429,356	
Compensated absences	<u>30,135</u>	<u>(1,459,491)</u>

**Total net assets - governmental activities** **\$ 13,022,958**

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Water Fluoride Fund	Water Line Repair Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Local taxes	\$ 970,112	\$ -	\$ -	\$ 277,147	\$ 1,247,259
State shared taxes	762,727	-	-	307,373	1,070,100
Licenses and permits	10,566	-	-	-	10,566
Charges for services	82,921	-	-	54,977	137,898
Fines and forfeitures	91,954	-	-	-	91,954
Miscellaneous revenue	81,017	-	-	51,229	132,246
Small cities assistance	231,932	-	-	-	231,932
Federal grants	263,754	469,764	-	-	733,518
State grants	396,577	512,396	460,558	555,966	1,925,497
Interest income	693	-	-	1,034	1,727
Total revenues	<u>2,892,253</u>	<u>982,160</u>	<u>460,558</u>	<u>1,247,726</u>	<u>5,582,697</u>
<b>EXPENDITURES</b>					
Current:					
General government	845,626	20,000	10,406	96,489	972,521
Public safety	1,056,378	-	-	81,496	1,137,874
Public works	104,898	-	-	215,028	319,926
Culture and recreation	66,985	-	-	174,338	241,323
Health and welfare	54,241	-	-	50,100	104,341
Capital outlay	677,426	796,962	639,086	559,779	2,673,253
Debt service:					
Principal	-	-	-	76,617	76,617
Interest	-	-	-	65,573	65,573
Total expenditures	<u>2,805,554</u>	<u>816,962</u>	<u>649,492</u>	<u>1,319,420</u>	<u>5,591,428</u>
Excess (deficiency) of revenues over expenditures	86,699	165,198	(188,934)	(71,694)	(8,731)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	718,990	11	279,650	433,081	1,431,732
Transfers out	(762,853)	-	-	(352,879)	(1,115,732)
Loan proceeds	-	-	-	119,000	119,000
Total other financing source (uses)	<u>(43,863)</u>	<u>11</u>	<u>279,650</u>	<u>199,202</u>	<u>435,000</u>
Net change in fund balance	42,836	165,209	90,716	127,508	426,269
Fund balance at beginning of year, as previously reported	3,727,683	180,061	75	606,177	4,513,996
Restatement	<u>(1,708,428)</u>	<u>-</u>	<u>-</u>	<u>626,533</u>	<u>(1,081,895)</u>
Fund balance at beginning of year, as restated	<u>2,019,255</u>	<u>180,061</u>	<u>75</u>	<u>1,232,710</u>	<u>3,432,101</u>
Fund balance at end of year	<u>\$ 2,062,091</u>	<u>\$ 345,270</u>	<u>\$ 90,791</u>	<u>\$ 1,360,218</u>	<u>\$ 3,858,370</u>

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



**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Net change in fund balances - total governmental funds** \$ 426,269

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

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

Capital assets reported as capital outlay expenditures	2,673,253	
Depreciation expense	<u>(377,314)</u>	2,295,939

Governmental funds report loan proceeds as other financing source. However, in the statement of activities, these proceeds are not recognized as revenue.	(119,000)
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Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures.	76,617
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Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred revenue in the funds.	22,166
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Prepaid expenses that do not provide current financial resources, reported in prior period's expenditures.	(183,951)
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Accrued interest expense that do not provide current financial resources, reported in prior period's expenditures.	4,364
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In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	<u>2,197</u>
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**Change in net assets of governmental activities** \$ 2,524,601

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Local taxes	\$ 772,706	\$ 772,706	\$ 866,817	\$ 94,111
State shared taxes	701,732	701,732	762,727	60,995
Licenses and permits	11,550	11,550	10,566	(984)
Charges for services	67,500	67,500	82,921	15,421
Fines and forfeitures	26,661	26,661	91,954	65,293
Miscellaneous revenue	456,021	456,021	81,017	(375,004)
Small cities assistance	117,837	117,837	231,932	114,095
Federal grants	745,923	745,923	263,754	(482,169)
State grants	115,902	115,902	358,022	242,120
Interest income	-	-	693	693
Total revenues	<u>3,015,832</u>	<u>3,015,832</u>	<u>2,750,403</u>	<u>(265,429)</u>
<b>EXPENDITURES:</b>				
<b>Current</b>				
General government	1,252,479	1,252,479	737,595	514,884
Public safety	1,767,079	1,767,079	1,056,378	710,701
Public works	186,440	186,440	104,898	81,542
Culture and recreation	149,275	149,275	66,985	82,290
Health and welfare	86,291	86,291	54,241	32,050
Capital outlay	<u>180,869</u>	<u>180,869</u>	<u>677,426</u>	<u>(496,557)</u>
Total expenditures	<u>3,622,433</u>	<u>3,622,433</u>	<u>2,697,523</u>	<u>924,910</u>
Excess (deficiency) of revenues over expenditures	<u>(606,601)</u>	<u>(606,601)</u>	<u>52,880</u>	<u>659,481</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	81,112	81,112	718,990	637,878
Transfers out	<u>785,417</u>	<u>785,417</u>	<u>(762,853)</u>	<u>(1,548,270)</u>
Total other financing sources (uses)	<u>866,529</u>	<u>866,529</u>	<u>(43,863)</u>	<u>(910,392)</u>
Net changes in fund balance	259,928	259,928	9,017	(250,911)
Fund balance - beginning of the year, as restated	<u>2,019,255</u>	<u>2,019,255</u>	<u>2,019,255</u>	<u>2,019,255</u>
Fund balance - end of the year	<u>\$ 2,279,183</u>	<u>\$ 2,279,183</u>	<u>\$ 2,028,272</u>	<u>\$ 1,768,344</u>
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis			\$ 9,017	
Net revenue accruals			141,850	
Net expenditure accruals			<u>(108,031)</u>	
Net change in fund balance GAAP basis			<u>\$ 42,836</u>	

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

**PROPRIETARY FUND**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND - JOINT UTILITIES  
JUNE 30, 2009**

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**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 347,001
Investment	1,669,710
Accounts receivable	<u>379,881</u>
Total current assets	2,396,592

**NON-CURRENT ASSETS:**

Restricted assets - cash	75,221
Capital assets	7,933,847
Less accumulated depreciation	<u>(1,494,495)</u>
Total non-current assets	<u>6,514,573</u>

Total assets	<u>\$ 8,911,165</u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$ 35,546
Accrued salaries	17,076
Compensated absences - current portion	7,763
Revenue bonds payable - current portion	<u>26,809</u>
Total current liabilities	87,194

**NON-CURRENT LIABILITIES:**

Customer deposits	75,221
Compensated absences	7,762
Revenue bonds payable - long term portion	<u>245,543</u>
Total non-current liabilities	<u>328,526</u>

Total liabilities	<u>415,720</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	6,167,000
Unrestricted	<u>2,328,445</u>
Total net assets	<u>8,495,445</u>

Total liabilities and net assets	<u>\$ 8,911,165</u>
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See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND - JOINT UTILITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

OPERATING REVENUES	
Charges for services	\$ 2,209,258
Gross receipts tax municipal	143,348
Miscellaneous	<u>39,016</u>
Total operating revenues	<u>2,391,622</u>
OPERATING EXPENSES	
Personnel services	445,598
Other operating expenses	1,172,610
Depreciation expense	<u>237,099</u>
Total operating expenses	<u>1,855,307</u>
Operating income	536,315
NON OPERATING REVENUES	
Grants	301,425
Interest income	<u>835</u>
Total non operating revenues	302,260
Transfers out	<u>(316,000)</u>
Change in net assets	522,575
Net assets, beginning of year, as previously reported	<u>6,896,262</u>
Restatement	1,076,608
Net assets, beginning of year, as restated	<u>7,972,870</u>
Net assets, end of year	<u>\$ 8,495,445</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - JOINT UTILITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>Cash flows from operating activities:</b>	
Cash received from agencies and customers	\$ 2,405,316
Cash used for salaries and operating expenses	<u>(1,581,715)</u>
Net cash provided by operating activities	823,601
<b>Cash flows from non-capital activities and related financing activities:</b>	
Grants received	301,425
Net transfers	<u>(316,000)</u>
Net cash used in non-capital activities and related financing activities:	(14,575)
<b>Cash flows from capital activities and related financing activities:</b>	
Acquisition of capital assets	(375,967)
Principal payments on capital debt	<u>(26,028)</u>
Net cash used in capital activities and related financing activities:	(401,995)
<b>Cash flows from investing activities:</b>	
Interest income	835
Cash reclassified as investment	<u>(593,102)</u>
Net cash used in investing activities	<u>(592,267)</u>
Net decrease in cash and cash equivalents	(185,236)
Cash and cash equivalents - beginning	<u>607,458</u>
Cash and cash equivalents - ending	<u>\$ 422,222</u>
<b>SUPPLEMENTARY INFORMATION:</b>	
Cash and cash equivalents	\$ 347,001
Restricted cash	<u>75,221</u>
Total cash and cash equivalents	<u>\$ 422,222</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 536,315
Adjustments to operating income to net cash used in operating activities:	.
Depreciation	237,099
Changes in net assets and liabilities:	
Accounts receivables	13,694
Accounts payable	(30,783)
Accrued salaries	5,507
Compensated absences	4,156
Customer deposits	<u>57,613</u>
Net cash provided by operating activities	<u>\$ 823,601</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements of the City have been prepared in conformity with 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.

The City (the primary government) for financial reporting purposes consists of funds, departments, and programs for which the City is financially accountable. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable.

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

**A. Reporting Entity**

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-34. 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 financial statements of the Lordsburg Public Housing Authority (the "Housing Authority") have been included in the City's financial statements as a discretely presented component unit. There are no other component units for the City.

The Housing Authority was 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. The Housing Authority is a separate legal entity from the City of Lordsburg and is a component unit of the City. Also, the Housing Authority does not have any component units.

A seven-member board governs the Housing Authority and is appointed to two-year terms by the City Council. The major revenue sources for the Housing Authority are tenant rental receipts and subsidies from the Department of Housing and Urban Development. Significant account balances include capital assets, and cash. The Housing Authority is presented as a discrete component of the City. There are no significant transactions between the City and the Housing Authority. 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.

***B. Basis of Presentation***

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.

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 for utility and other services provided, fines and forfeitures from the courts, licenses and permits issued and funds from the small city assistance program. 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular department or function of the City. 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.

***C. Measurement Focus, Basis of Accounting, and Fund Financial Statements***

***Government-Wide Financial Statements*** - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes and property taxes, grants and entitlements. On an accrual basis, revenue from

property taxes, net of estimated refunds and uncollectible amounts, is recognized as revenues in the year for which they are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements are met.

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. The City has elected not to follow FASB Statements and interpretations issued after November 30, 1989.

***Fund Financial Statements*** - Governmental funds 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. The City considers all revenues to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues. Property taxes, gross receipts taxes, franchise taxes, and interest are considered susceptible to accrual. 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue 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. All other revenue items are considered to be measurable and available only when cash is received by the government because they are not measurable or reasonably estimable.

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 due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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:

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

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

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

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

Under the requirements of GASB No. 34, the County 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 the following capital projects funds that were required to be presented as major funds:

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

*Water Line Repair Fund* - To account for the line repair project. Authorized by State Appropriation #SAP-04-1558-STB.

Additionally, the government reports the following fund types:

*Proprietary Funds* - Distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses 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 or expenses. These include operating subsidies, investment earnings, interest expense, and transactions that result from non-exchange transactions.

The proprietary funds 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.

Those revenues susceptible to accrual are property taxes, gross receipts taxes, investment income and charges for services. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for non-matured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accrual basis of accounting is utilized by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports unearned revenue on its combined balance sheet. Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**D. Assets, Liabilities and Net Assets or Equity**

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

*Deposits and Investments* - 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.

**Restricted Assets** - Certain long-term assets in the proprietary funds and the component unit are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as deposits held for others.

**Capital Assets** - Capital assets, which include land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure assets 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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is removed for all deleted capital assets. 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. Capital assets of the primary government are depreciated using the straight-line method over their useful lives.

Assets	Years
Building	15-40
Improvements	15-40
Infrastructure	10-80
Utility System	5-80
Machinery and Equipment	5-10

**Deferred Revenue** - The City defers revenue from non-exchange transactions. The amount deferred results from the difference between the receivable recognized on an accrual basis and the related revenue recognized on the modified accrual basis. Revenue is recognized as the receivables are collected.

**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.

**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.

**Net Assets** - The government-wide and business-type activities fund financial statements utilize a net assets presentation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

**Investment in capital assets, net of related debt** - This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

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

**Unrestricted net assets** - This category reflects net assets of the City, not restricted for any project or other purpose.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure.

**Reserved, designated for subsequent year's expenditures** - Represents the amounts, other than carryover expenditures, which are required to be designated for subsequent year's expenditures.

**Unreserved, undesignated** - Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the City.

**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.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Annual budgets for the City are prepared prior to June 1 and must be approved by the Council Members and the New Mexico Department of Finance and Administration. Once the budget has been formally approved, the City Council Members 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, Capital Projects Funds and Debt Service 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.

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

Since accounting principals 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 principals, 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, 2009 is presented.

## 3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

### Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The City maintains cash in one financial institution within Lordsburg, New Mexico. The City's deposits are carried at cost.

As of June 30, 2009, the amount of cash reported on the financial statements differs from the amount on deposit with the financial institution because of transactions in transit and outstanding checks. A summary of the reconciliation is as follows:

	<u>Amount Per Bank</u>	<u>Plus DIT</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
Western Bank	\$ 6,245,913	\$ 27,699	\$ 475,410	\$ 5,798,202

Statement of Net Assets:

Cash	\$ 1,557,331
Restricted cash	75,221
Investments	<u>4,165,650</u>
Total	<u>\$ 5,798,202</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	<b>Western Bank</b>
Amount held in bank June 30, 2009	\$ 6,245,913
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	5,995,913
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	2,997,957
Pledged Securities	<u>2,636,906</u>
Over (Under) Collateralized	<u>\$ (361,051)</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$5,995,913 of the City's bank balance of \$6,245,913 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the City's name	\$ 2,636,906
Uninsured and uncollateralized	<u>3,359,007</u>
Total	<u>\$ 5,995,913</u>

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2009, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivable	\$ 163,748	\$ 379,881	\$ 543,629
Grants receivable	<u>142,005</u>	<u>-</u>	<u>142,005</u>
Net receivables	<u>\$ 305,753</u>	<u>\$ 379,881</u>	<u>\$ 685,634</u>

Management considers all amounts to be collectible.

#### 5. PROPERTY TAXES

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

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



## 6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2009, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

	Balance June 30, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
<i>Government activities:</i>					
Capital assets not being depreciated:					
Land	\$ 473,021	\$ 30,748	\$ -	\$ -	\$ 503,769
Construction in progress	<u>1,462,055</u>	<u>1,995,827</u>	<u>-</u>	<u>-</u>	<u>3,457,882</u>
Total	<u>1,935,076</u>	<u>2,026,575</u>	<u>-</u>	<u>-</u>	<u>3,961,651</u>
Other capital assets being depreciated					
Buildings	2,337,522	-	-	-	2,337,522
Improvements	2,801,736	275,401	-	116,586	3,193,723
Infrastructure	2,206,511	-	-	-	2,206,511
Machinery and equipment	<u>2,026,092</u>	<u>371,277</u>	<u>-</u>	<u>(116,586)</u>	<u>2,280,783</u>
Total	<u>9,371,861</u>	<u>646,678</u>	<u>-</u>	<u>-</u>	<u>10,018,539</u>
Accumulated depreciation					
Buildings	763,247	52,400	-	(63,776)	751,871
Improvements	747,451	136,258	-	37,142	920,851
Infrastructure	364,056	29,420	-	(21,398)	372,078
Machinery and equipment	<u>1,126,209</u>	<u>159,236</u>	<u>-</u>	<u>48,032</u>	<u>1,333,477</u>
Total A/D	<u>3,000,963</u>	<u>377,314</u>	<u>-</u>	<u>-</u>	<u>3,378,277</u>
Total capital assets	<u>\$ 8,305,974</u>	<u>\$ 2,295,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,601,913</u>

Depreciation expense for the year ended June 30, 2009 was charged as follows:

General government	\$ 40,680
Public safety	102,748
Public works	119,630
Culture and recreation	<u>114,256</u>
Total depreciation expense	<u>\$ 377,314</u>

	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2009</b>
<i>Business-type activities:</i>					
Capital assets not being depreciated					
Land	\$ 87,715	\$ -	\$ -	\$ -	\$ 87,715
Total	87,715	-	-	-	87,715
Capital assets being depreciated					
Buildings	26,480	-	-	-	26,480
Improvements	2,186,428	303,352	-	-	2,489,780
Utility system	4,500,641	-	-	-	4,500,641
Machinery and equipment	756,616	72,615	-	-	829,231
Total	7,470,165	375,967	-	-	7,846,132
Accumulated depreciation					
Buildings	5,301	530	-	-	5,831
Improvements	87,756	113,355	-	4	201,115
Utility system	577,512	60,009	-	(169)	637,352
Machinery and equipment	586,827	63,205	-	165	650,197
Total A/D	1,257,396	237,099	-	-	1,494,495
Total capital assets	<u>\$ 6,300,484</u>	<u>\$ 138,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,439,352</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2009 totaled \$237,099.

## 7. LONG TERM DEBT

During the year-end June 30, 2009, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<b>Balance 06/30/08</b>	<b>Restatement</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 06/30/09</b>	<b>Due Within One Year</b>
<i>Governmental Funds:</i>						
2001 Lodgers Tax Bond	\$ 1,030,000	\$ -	\$ -	\$ 20,000	\$ 1,010,000	\$ 25,000
Hidalgo Medical Center	192,112	148,055	-	36,254	303,913	37,341
NMFA - Fire Truck	202	-	-	202	-	-
NMFA - Garbage Truck	16,604	-	-	16,604	-	-
Water Fluoride Project	-	-	85,000	2,948	82,052	4,222
Water Project NMFA	-	-	34,000	609	33,391	1,718
Compensated absences	21,826	10,506	92,752	94,949	30,135	15,068
Total	<u>\$ 1,260,744</u>	<u>\$ 158,561</u>	<u>\$ 211,752</u>	<u>\$ 171,566</u>	<u>\$ 1,459,491</u>	<u>\$ 83,349</u>

Compensated absences typically have been liquidated in the general and other governmental funds.

	<b>Balance</b>				<b>Balance</b>	<b>Due</b>
	<b>6/30/08</b>	<b>Restatement</b>	<b>Additions</b>	<b>Reductions</b>	<b>06/30/09</b>	<b>Within</b>
						<b>One Year</b>
<i>Proprietary Fund:</i>						
NM Environment Dept	\$ 298,380	\$ -	\$ -	\$ 26,028	\$ 272,352	\$ 26,809
Compensated absences	<u>11,369</u>	<u>5,287</u>	<u>47,781</u>	<u>48,912</u>	<u>15,525</u>	<u>7,763</u>
Total	<u>\$ 309,749</u>	<u>\$ 5,287</u>	<u>\$ 47,781</u>	<u>\$ 74,940</u>	<u>\$ 287,877</u>	<u>\$ 34,572</u>

Compensated absences typically have been liquidated in the proprietary fund.

The terms of the revenue bond and notes payable are as follows:

***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:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2010	\$ 25,000	\$ 58,965	\$ 83,965
2011	25,000	57,433	82,433
2012	25,000	66,145	91,145
2013	25,000	54,839	79,839
2014	30,000	53,388	83,388
2015-2019	165,000	240,990	405,990
2020-2024	220,000	185,437	405,437
2025-2029	285,000	110,208	395,208
2030-2032	<u>210,000</u>	<u>19,814</u>	<u>229,814</u>
	<u>\$ 1,010,000</u>	<u>\$ 847,219</u>	<u>\$ 1,857,219</u>

***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 of 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 follows:

Year Ending June 30	Principal	Interest	Total
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
2014	41,000	1,100	42,100
2015	107,055	1,000	108,055
	<u>\$ 303,913</u>	<u>\$ 14,310</u>	<u>\$ 318,223</u>

***Water Fluoride Project***

During fiscal year 2009, the City entered into a loan agreement with New Mexico Finance Authority to finance the Drinking Water Fluoride Project. Interest is payable annually on June 1 commencing June 1, 2009. Interest rate is zero but there is an administration fee of .25%. Principal payments vary according to the following amortization schedule:

Year Ending June 30	Principal	Interest/Fees	Total
2010	\$ 4,222	\$ 205	\$ 4,427
2011	4,233	195	4,428
2012	4,243	184	4,427
2013	4,254	173	4,427
2014	4,264	163	4,427
2015-2019	21,483	653	22,136
2020-2024	21,755	383	22,138
2025-2028	17,598	111	17,709
	<u>\$ 82,052</u>	<u>\$ 2,067</u>	<u>\$ 84,119</u>

**Water Project - NMFA**

During fiscal year 2009, the City entered into a loan agreement with New Mexico Finance Authority to finance the Drinking Water Fluoride Project. Interest is payable annually on June 1 commencing June 1, 2009. Interest rate is zero but there is an administration fee of .25%. Principal payments vary according to the following amortization schedule:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest/Fees</b>	<b>Total</b>
2010	\$ 1,718	\$ 83	\$ 1,801
2011	1,722	79	1,801
2012	1,727	75	1,802
2013	1,731	71	1,802
2014	1,735	66	1,801
2015-2019	8,743	266	9,009
2020-2024	8,853	156	9,009
2025-2028	7,162	45	7,207
	<u>\$ 33,391</u>	<u>\$ 841</u>	<u>\$ 34,232</u>

**Note Payable (Proprietary Fund) - New Mexico Environment Department**

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:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 26,809	\$ 8,171	\$ 34,980
2011	27,613	7,366	34,979
2012	28,441	6,538	34,979
2013	29,295	5,685	34,980
2014	30,173	4,806	34,979
2015-2018	130,021	9,895	139,916
	<u>\$ 272,352</u>	<u>\$ 42,461</u>	<u>\$ 314,813</u>

**8. RISK MANAGEMENT**

The City of Lordsburg 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.

The City 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 pays an annual premium to New Mexico Self-Insured Fund for general insurance coverage and all risk of loss is transferred.

**9. PERA PENSION PLAN**

Plan Description - Substantially all of the (name of employer)'s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy - Plan members are required to contribute 7% (ranges from 3.83% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute 9.15% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$79,224, \$76,909, and \$77,719, respectively, which equal the amount of the required contributions for each fiscal year.

**10. 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 of Lordsburg did not participate in the Retiree Health Care Act Program during the fiscal year ending June 30, 2009.

**11. RESTATEMENT**

A prior period adjustment was posted to the governmental funds and to the enterprise funds to reclassify the investments that were included in the general fund only for the prior period and should have been distributed to different governmental and enterprise funds. An additional prior period adjustment was posted to adjust the beginning balance of compensated absences for both governmental and enterprise activities on the statement of net assets. Also, a prior period adjustment was also recorded to adjust the beginning balance of debt outstanding on the governmental activities in the statement of net assets. Finally, a rollforward prior period adjustment was posted to the government-wide financial statements. Restatement amounts are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities and Proprietary Funds</b>	<b>General Fund</b>	<b>Non Major Funds</b>
Investments classified incorrectly	\$ (1,081,895)	\$ 1,081,895	\$ (1,708,428)	\$ 626,533
Understated compensated absences	(10,506)	(5,287)	(10,506)	-
Understated long-term debt	(148,055)	-	-	(148,055)
	<u>\$ (1,240,456)</u>	<u>\$ 1,076,608</u>	<u>\$ (1,718,934)</u>	<u>\$ 478,478</u>

**12. INTERFUND TRANSFERS**

The composition of inter-fund transfers during the year ended June 30, 2009 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 718,990	\$ (762,852)
Tax Lodgers	98,102	(245,254)
Road	-	(107,625)
Fire	5,000	-
Cemetery	35,000	-
Recreation	68,052	-
City Hall	279,650	-
Special Events	68,300	-
Water Fluoride	10	-
CDBG	19,500	-
CO-OP 2007 2008	110,975	-
Debt Service	28,152	-
Enterprise funds	<u>183,182</u>	<u>(499,182)</u>
Totals	<u>\$ 1,614,913</u>	<u>\$ (1,614,913)</u>

**13. EXCESS EXPENDITURES OVER APPROPRIATIONS**

New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The City exceeded its authorized budget by \$4,957 as follows:

<u>Fund</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Solid Waste Truck	\$ 15,336	\$ 16,604	\$ (1,268)
Debt Service 2001	<u>79,880</u>	<u>83,569</u>	<u>(3,689)</u>
Totals	<u>\$ 95,216</u>	<u>\$ 100,173</u>	<u>\$ (4,957)</u>

**14. 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.

**15. BUDGETED DEFICIT FUND BALANCE**

The following fund budgeted a deficit fund balance as of June 30, 2009:

Recreation	<u>\$ 4,670</u>
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**NON-MAJOR GOVERNMENTAL FUNDS**



## SPECIAL REVENUE FUNDS

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

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

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

## CAPITAL PROJECTS FUNDS LISTING

**SWIMMING POOL FUND** - 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.

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

## DEBT SERVICE FUNDS LISTING

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL TYPES  
JUNE 30, 2009**

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Debt Service Funds</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 159,818	\$ 100,257	\$ 268,682	\$ 528,757
Investment	732,537	-	-	732,537
Accounts receivable	141,737	-	-	141,737
 Total assets	 <u>\$ 1,034,092</u>	 <u>\$ 100,257</u>	 <u>\$ 268,682</u>	 <u>\$ 1,403,031</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 13,351	\$ -	\$ -	\$ 13,351
Accrued salaries	10,105	-	-	10,105
Due to other funds	19,357	-	-	19,357
 Total liabilities	 42,813	 -	 -	 42,813
Fund balance:				
Reserved for capital projects funds	-	100,257	-	100,257
Reserved for special revenue funds	991,279	-	-	991,279
Reserved for debt service	-	-	268,682	268,682
 Total fund balance	 <u>991,279</u>	 <u>100,257</u>	 <u>268,682</u>	 <u>1,360,218</u>
 Total liabilities and fund balances	 <u>\$ 1,034,092</u>	 <u>\$ 100,257</u>	 <u>\$ 268,682</u>	 <u>\$ 1,403,031</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE  
NON-MAJOR GOVERNMENTAL TYPES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
<b>REVENUES</b>				
Local taxes	\$ 277,147	\$ -	\$ -	\$ 277,147
State grants	127,180	428,786	-	555,966
State shared taxes	307,373	-	-	307,373
Charges for services	54,977	-	-	54,977
Federal grants	-	-	-	-
Interest income	272	70	692	1,034
Miscellaneous income	<u>47,519</u>	<u>-</u>	<u>3,710</u>	<u>51,229</u>
Total revenues	814,468	428,856	4,402	1,247,726
<b>EXPENDITURES</b>				
Current:				
General government	96,489	-	-	96,489
Public safety	81,496	-	-	81,496
Public works	206,103	8,925	-	215,028
Culture and recreation	174,338	-	-	174,338
Health and welfare	50,100	-	-	50,100
Capital outlay	-	559,779	-	559,779
Debt Service:				
Principal	52,858	-	23,759	76,617
Interest	<u>5,763</u>	<u>-</u>	<u>59,810</u>	<u>65,573</u>
Total expenditures	<u>667,147</u>	<u>568,704</u>	<u>83,569</u>	<u>1,319,420</u>
Deficiency of revenues under expenditures	147,321	(139,848)	(79,167)	(71,694)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	274,454	130,475	28,152	433,081
Transfers out	(352,879)	-	-	(352,879)
Loan proceeds	<u>-</u>	<u>-</u>	<u>119,000</u>	<u>119,000</u>
Total other financing sources	<u>(78,425)</u>	<u>130,475</u>	<u>147,152</u>	<u>199,202</u>
Net change in fund balance	68,896	(9,373)	67,985	127,508
Fund balance beginning of year, as previously reported	295,850	109,630	200,697	606,177
Restatement	<u>626,533</u>	<u>-</u>	<u>-</u>	<u>626,533</u>
Fund balance beginning of year, as restated	<u>922,383</u>	<u>109,630</u>	<u>200,697</u>	<u>1,232,710</u>
Fund balance end of year	<u>\$ 991,279</u>	<u>\$ 100,257</u>	<u>\$ 268,682</u>	<u>\$ 1,360,218</u>

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

**SPECIAL REVENUE FUNDS**

STATE OF NEW MEXICO  
CITY OF LORDSBURG

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2009

	Fire	Correction	Law Enf.	Cemetery	Recreation	Solid Waste Truck	City Income	Special Events Center	Lodgers Tax	Road	Total
<b>ASSETS</b>											
Cash and cash equivalents	\$ 96,094	\$ -	\$ 2,935	\$ 8,541	\$ 13,344	\$ -	\$ -	\$ 20,063	\$ 18,841	\$ -	\$ 159,818
Investment	-	-	-	119,684	30,397	-	-	-	378,563	203,893	732,537
Accounts receivable	77,451	-	26,000	-	-	-	-	-	16,476	21,810	141,737
Total assets	<u>\$ 173,545</u>	<u>\$ -</u>	<u>\$ 28,935</u>	<u>\$ 128,225</u>	<u>\$ 43,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,063</u>	<u>\$ 413,880</u>	<u>\$ 225,703</u>	<u>\$ 1,034,092</u>
<b>LIABILITIES AND FUND BALANCE</b>											
Liabilities											
Accounts payable	\$ 772	\$ -	\$ 310	\$ 396	\$ 4,309	\$ -	\$ -	\$ 3,199	\$ 1,032	\$ 3,333	\$ 13,351
Accrued salaries	-	-	-	1,491	5,364	-	-	1,068	-	2,182	10,105
Cash overdraft	-	-	-	-	-	-	-	-	-	19,357	19,357
Total liabilities	772	-	310	1,887	9,673	-	-	4,267	1,032	24,872	42,813
Fund balance											
Reserved for special revenue funds	172,773	-	28,625	126,338	34,068	-	-	15,796	412,848	200,831	991,279
Total fund balance	172,773	-	28,625	126,338	34,068	-	-	15,796	412,848	200,831	991,279
Total liabilities and fund balance	<u>\$ 173,545</u>	<u>\$ -</u>	<u>\$ 28,935</u>	<u>\$ 128,225</u>	<u>\$ 43,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,063</u>	<u>\$ 413,880</u>	<u>\$ 225,703</u>	<u>\$ 1,034,092</u>

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	Fire	Correction	Law Enf.	Cemetery	Recreation	Solid Waste Truck	City Income	Special Events Center	Lodgers Tax	Road	Total
<b>REVENUES</b>											
Local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,604	\$ 42,017	\$ -	\$ 218,526	\$ -	\$ 277,147
State grant	77,451	-	49,729	-	-	-	-	-	-	-	127,180
State shared taxes	-	-	-	-	3,180	-	-	512	-	303,681	307,373
Charges for services	-	22,173	-	12,560	5,456	-	-	14,788	-	-	54,977
Interest income	272	-	-	-	-	-	-	-	-	-	272
Miscellaneous revenue	2,799	-	-	-	934	-	-	-	-	43,786	47,519
Total revenues	80,522	22,173	49,729	12,560	9,570	16,604	42,017	15,300	218,526	347,467	814,468
<b>EXPENDITURES</b>											
Current:											
General government	-	-	-	-	-	-	-	-	96,489	-	96,489
Public safety	33,691	22,173	25,632	-	-	-	-	-	-	-	81,496
Public works	-	-	-	-	-	-	-	-	-	206,103	206,103
Culture and recreation	-	-	-	-	74,490	-	-	99,848	-	-	174,338
Health and welfare	-	-	-	50,100	-	-	-	-	-	-	50,100
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	16,604	36,254	-	-	-	52,858
Interest	-	-	-	-	-	-	5,763	-	-	-	5,763
Total expenditures	33,691	22,173	25,632	50,100	74,490	16,604	42,017	99,848	96,489	206,103	667,147
Excess (deficiency) of revenues over (under) expenditures	46,831	-	24,097	(37,540)	(64,920)	-	-	(84,548)	122,037	141,364	147,321
<b>OTHER FINANCING SOURCES</b>											
Operating transfers in	5,000	-	-	35,000	68,052	-	-	68,300	98,102	-	274,454
Operating transfers out	-	-	-	-	-	-	-	-	(245,254)	(107,625)	(352,879)
Total other financing source	5,000	-	-	35,000	68,052	-	-	68,300	(147,152)	(107,625)	(78,425)
Net change in fund balance	51,831	-	24,097	(2,540)	3,132	-	-	(16,248)	(25,115)	33,739	68,896
Fund balance, beginning of year, as previously reported	120,942	-	4,528	10,299	819	-	-	32,044	62,893	64,325	295,850
Restatement	-	-	-	118,579	30,117	-	-	-	375,070	102,767	626,533
Fund balance, beginning of year, as restated	120,942	-	4,528	128,878	30,936	-	-	32,044	437,963	167,092	922,383
Fund balance, end of year	\$ 172,773	\$ -	\$ 28,625	\$ 126,338	\$ 34,068	\$ -	\$ -	\$ 15,796	\$ 412,848	\$ 200,831	\$ 991,279

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - FIRE  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Miscellaneous revenue	\$ -	\$ -	\$ 2,799	\$ 2,799
State grants	63,945	63,945	-	(63,945)
Interest income	200	200	272	72
<b>Total revenues</b>	<b>64,145</b>	<b>64,145</b>	<b>3,071</b>	<b>(61,074)</b>
<b>EXPENDITURES:</b>				
Current				
Public safety	127,615	127,615	32,919	94,696
<b>Total expenditures</b>	<b>127,615</b>	<b>127,615</b>	<b>32,919</b>	<b>94,696</b>
Excess (deficiency) of revenues over expenditures	(63,470)	(63,470)	(29,848)	33,622
<b>OTHER FINANCING SOURCES</b>				
Transfers in	5,000	5,000	5,000	-
<b>Total other financing sources</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>
Net changes in fund balance	(58,470)	(58,470)	(24,848)	33,622
Fund balance - beginning of the year	120,942	120,942	120,942	120,942
Fund balance - end of the year	<u>\$ 62,472</u>	<u>\$ 62,472</u>	<u>\$ 96,094</u>	<u>\$ 154,564</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (24,848)	
Net revenue accruals			77,451	
Net expenditure accruals			<u>(772)</u>	
Net change in fund balance GAAP basis			<u>\$ 51,831</u>	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - CORRECTIONS  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Charges for services	\$ 22,173	\$ 22,173	\$ 22,173	\$ -
Total revenues	22,173	22,173	22,173	-
<b>EXPENDITURES:</b>				
Current				
Public safety	22,173	22,173	22,173	-
Total expenditures	22,173	22,173	22,173	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			<u>\$ -</u>	

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



STATE OF NEW MEXICO  
CITY OF LORDSBURG

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - LAW ENFORCEMENT  
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ 26,000	\$ 26,000	\$ 23,729	\$ (2,271)
Total revenues	26,000	26,000	23,729	(2,271)
EXPENDITURES:				
Current				
Public safety	28,257	28,257	25,322	2,935
Total expenditures	28,257	28,257	25,322	2,935
Excess (deficiency) of revenues over expenditures	(2,257)	(2,257)	(1,593)	664
Net changes in fund balance	(2,257)	(2,257)	(1,593)	664
Fund balance - beginning of the year	4,528	4,528	4,528	4,528
Fund balance - end of the year	\$ 2,271	\$ 2,271	\$ 2,935	\$ 5,192
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (1,593)	
Net revenue accruals			26,000	
Net expenditure accruals			(310)	
Net change in fund balance GAAP basis			\$ 24,097	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - CEMETERY  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Charges for services	\$ 13,600	\$ 13,600	\$ 12,560	\$ (1,040)
Total revenues	13,600	13,600	12,560	(1,040)
<b>EXPENDITURES:</b>				
Current				
Health and welfare	60,441	60,441	48,213	12,228
Total expenditures	60,441	60,441	48,213	12,228
Excess (deficiency) of revenues over expenditures	(46,841)	(46,841)	(35,653)	11,188
<b>OTHER FINANCING SOURCES</b>				
Transfers in	35,000	35,000	35,000	-
Total other financing sources	35,000	35,000	35,000	-
Net changes in fund balance	(11,841)	(11,841)	(653)	11,188
Fund balance - beginning of the year, as restated	128,878	128,878	128,878	128,878
Fund balance - end of the year	<u>\$ 117,037</u>	<u>\$ 117,037</u>	<u>\$ 128,225</u>	<u>\$ 140,066</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (653)	
Net expenditure accruals			<u>(1,887)</u>	
Net change in fund balance GAAP basis			<u>\$ (2,540)</u>	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - RECREATION  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
State shared taxes	\$ 4,030	\$ 4,030	\$ 3,180	\$ (850)
Charges for services	6,508	6,508	5,456	(1,052)
Miscellaneous revenue	<u>1,000</u>	<u>1,000</u>	<u>934</u>	<u>(66)</u>
Total revenues	11,538	11,538	9,570	(1,968)
<b>EXPENDITURES:</b>				
<b>Current</b>				
Culture and recreation	<u>114,196</u>	<u>114,196</u>	<u>64,817</u>	<u>49,379</u>
Total expenditures	<u>114,196</u>	<u>114,196</u>	<u>64,817</u>	<u>49,379</u>
Excess (deficiency) of revenues over expenditures	<u>(102,658)</u>	<u>(102,658)</u>	<u>(55,247)</u>	<u>47,411</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>67,052</u>	<u>67,052</u>	<u>68,052</u>	<u>1,000</u>
Total other financing sources	<u>67,052</u>	<u>67,052</u>	<u>68,052</u>	<u>1,000</u>
Net changes in fund balance	(35,606)	(35,606)	12,805	48,411
Fund balance - beginning of the year, as restated	<u>30,936</u>	<u>30,936</u>	<u>30,936</u>	<u>30,936</u>
Fund balance - end of the year	<u>\$ (4,670)</u>	<u>\$ (4,670)</u>	<u>\$ 43,741</u>	<u>\$ 79,347</u>
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis			\$ 12,805	
Net expenditure accruals			<u>(9,673)</u>	
Net change in fund balance GAAP basis			<u>\$ 3,132</u>	

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - SOLID WASTE TRUCK  
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ 15,336	\$ 15,336	\$ 16,604	\$ 1,268
Total revenues	15,336	15,336	16,604	1,268
EXPENDITURES:				
Debt service				
Principal	15,336	15,336	16,604	(1,268)
Total expenditures	15,336	15,336	16,604	(1,268)
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ -	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - CITY INCOME  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local taxes	\$ 73,111	\$ 73,111	\$ 42,017	\$ (31,094)
Total revenues	73,111	73,111	42,017	(31,094)
EXPENDITURES:				
Debt service				
Principal	73,111	73,111	36,254	36,857
Interest	-	-	5,763	(5,763)
Total expenditures	73,111	73,111	42,017	31,094
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			<u>\$ -</u>	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - SPECIAL EVENTS CENTER  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
State shared taxes	\$ 1,197	\$ 1,197	\$ 512	\$ (685)
Charges for services	<u>24,425</u>	<u>24,425</u>	<u>14,788</u>	<u>(9,637)</u>
Total revenues	25,622	25,622	15,300	(10,322)
<b>EXPENDITURES:</b>				
Current				
Culture and recreation	<u>118,021</u>	<u>118,021</u>	<u>95,581</u>	<u>22,440</u>
Total expenditures	<u>118,021</u>	<u>118,021</u>	<u>95,581</u>	<u>22,440</u>
Excess (deficiency) of revenues over expenditures	<u>(92,399)</u>	<u>(92,399)</u>	<u>(80,281)</u>	<u>12,118</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>66,300</u>	<u>66,300</u>	<u>68,300</u>	<u>2,000</u>
Total other financing sources	<u>66,300</u>	<u>66,300</u>	<u>68,300</u>	<u>2,000</u>
Net changes in fund balance	(26,099)	(26,099)	(11,981)	14,118
Fund balance - beginning of the year	<u>32,044</u>	<u>32,044</u>	<u>32,044</u>	<u>32,044</u>
Fund balance - end of the year	<u>\$ 5,945</u>	<u>\$ 5,945</u>	<u>\$ 20,063</u>	<u>\$ 46,162</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (11,981)	
Net expenditure accruals			<u>(4,267)</u>	
Net change in fund balance GAAP basis			<u>\$ (16,248)</u>	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - LODGERS TAX FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Plosive (Negative)
<b>REVENUES:</b>				
Local taxes	\$ 245,254	\$ 245,254	\$ 202,050	\$ (43,204)
Total revenues	245,254	245,254	202,050	(43,204)
<b>EXPENDITURES:</b>				
Current				
General government	98,633	98,633	95,457	3,176
Total expenditures	98,633	98,633	95,457	3,176
Excess (deficiency) of revenues over expenditures	146,621	146,621	106,593	(40,028)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	98,102	98,102	98,102	-
Transfers out	(245,254)	(245,254)	(245,254)	-
Total other financing sources (uses)	(147,152)	(147,152)	(147,152)	-
Net changes in fund balance	(531)	(531)	(40,559)	(40,028)
Fund balance - beginning of the year, as restated	437,963	437,963	437,963	437,963
Fund balance - end of the year	\$ 437,432	\$ 437,432	\$ 397,404	\$ 397,935
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis			\$ (40,559)	
Net revenue accruals			16,476	
Net expenditure accruals			(1,032)	
Net change in fund balance GAAP basis			\$ (25,115)	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUND - ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
State shared taxes	\$ 226,307	\$ 226,307	\$ 281,871	\$ 55,564
Miscellaneous revenue	-	-	43,786	43,786
Total revenues	<u>226,307</u>	<u>226,307</u>	<u>325,657</u>	<u>99,350</u>
<b>EXPENDITURES:</b>				
Current				
Public works	<u>259,113</u>	<u>259,113</u>	<u>200,588</u>	<u>58,525</u>
Total expenditures	<u>259,113</u>	<u>259,113</u>	<u>200,588</u>	<u>58,525</u>
Excess (deficiency) of revenues over expenditures	<u>(32,806)</u>	<u>(32,806)</u>	<u>125,069</u>	<u>157,875</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(71,289)</u>	<u>(71,289)</u>	<u>(107,625)</u>	<u>(36,336)</u>
Total other financing uses	<u>(71,289)</u>	<u>(71,289)</u>	<u>(107,625)</u>	<u>(36,336)</u>
Net changes in fund balance	(104,095)	(104,095)	17,444	121,539
Fund balance - beginning of the year, as restated	<u>167,092</u>	<u>167,092</u>	<u>167,092</u>	<u>167,092</u>
Fund balance - end of the year	<u>\$ 62,997</u>	<u>\$ 62,997</u>	<u>\$ 184,536</u>	<u>\$ 288,631</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 17,444	
Net revenue accruals			21,810	
Net expenditure accruals			<u>(5,515)</u>	
Net change in fund balance GAAP basis			<u>\$ 33,739</u>	

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



**CAPITAL PROJECTS FUNDS**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS FUNDS  
JUNE 30, 2009**

	<u>Swimming Pool</u>	<u>CDBG Water Project 2007</u>	<u>2007 - 2008 Co-Op</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 99,697	\$ 560	\$ -	\$ 100,257
Total assets	<u>\$ 99,697</u>	<u>\$ 560</u>	<u>\$ -</u>	<u>\$ 100,257</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Fund balance:				
Reserved for capital projects	\$ 99,697	\$ 560	\$ -	\$ 100,257
Total liabilities and fund balance	<u>\$ 99,697</u>	<u>\$ 560</u>	<u>\$ -</u>	<u>\$ 100,257</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	Swimming Pool Fund	CDBG Water Project 2007	2007 - 2008 Co-Op	Total
<b>REVENUES</b>				
State grants	\$ -	\$ -	\$ 428,786	\$ 428,786
Interest income	<u>70</u>	<u>-</u>	<u>-</u>	<u>70</u>
Total revenues	70	-	428,786	428,856
<b>EXPENDITURES</b>				
Public works	-	-	8,925	8,925
Capital outlay	<u>-</u>	<u>28,940</u>	<u>530,839</u>	<u>559,779</u>
Total expenditures	<u>-</u>	<u>28,940</u>	<u>539,764</u>	<u>568,704</u>
Excess (deficiency) of revenues over (under) expenditures	70	(28,940)	(110,978)	(139,848)
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	<u>-</u>	<u>19,500</u>	<u>110,975</u>	<u>130,475</u>
Total other financing sources	<u>-</u>	<u>19,500</u>	<u>110,975</u>	<u>130,475</u>
Net change in fund balance	70	(9,440)	(3)	(9,373)
Fund balance, beginning of year	<u>99,627</u>	<u>10,000</u>	<u>3</u>	<u>109,630</u>
Fund balance, end of year	<u>\$ 99,697</u>	<u>\$ 560</u>	<u>\$ -</u>	<u>\$ 100,257</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR CAPITAL PROJECTS FUND - SWIMMING POOL FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest income	\$ -	\$ -	\$ 70	\$ 70
Total revenues	-	-	70	70
Excess (deficiency) of revenues over expenditures	-	-	70	70
Net changes in fund balance	-	-	70	70
Fund balance - beginning of the year	99,627	99,627	99,627	99,627
Fund balance - end of the year	<u>\$ 99,627</u>	<u>\$ 99,627</u>	<u>\$ 99,697</u>	<u>\$ 99,697</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 70	
Net change in fund balance GAAP basis			<u>\$ 70</u>	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR CAPITAL PROJECTS FUND - CDBG WATER PROJECT 2007  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>				
Current				
General government	\$ 50,000	\$ 50,000	\$ -	\$ 50,000
Capital outlay	<u>-</u>	<u>-</u>	<u>28,940</u>	<u>(28,940)</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>28,940</u>	<u>21,060</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(28,940)</u>	<u>21,060</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>19,500</u>	<u>(30,500)</u>
Total other financing sources	<u>50,000</u>	<u>50,000</u>	<u>19,500</u>	<u>(30,500)</u>
Net changes in fund balance	-	-	(9,440)	(9,440)
Fund balance - beginning of the year	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Fund balance - end of the year	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 560</u>	<u>\$ 560</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (9,440)</u>	
Net change in fund balance GAAP basis			<u>\$ (9,440)</u>	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR CAPITAL PROJECTS FUND - 2007 - 2008 CO-OP  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
State grants	\$ 520,383	\$ 520,383	\$ 428,786	\$ (91,597)
Total revenues	520,383	520,383	428,786	(91,597)
<b>EXPENDITURES:</b>				
Current				
Public works	-	-	8,925	(8,925)
Capital outlay	626,211	626,211	530,839	95,372
Total expenditures	626,211	626,211	539,764	86,447
Deficiency) of revenues over expenditures	(105,828)	(105,828)	(110,978)	(5,150)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	105,828	105,828	110,975	5,147
Total other financing sources	105,828	105,828	110,975	5,147
Net changes in fund balance	-	-	(3)	(3)
Fund balance - beginning of the year	3	3	3	3
Fund balance - end of the year	\$ 3	\$ 3	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (3)	
Net change in fund balance GAAP basis			\$ (3)	

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

**DEBT SERVICE FUND**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE 2001 FUND  
JUNE 30, 2009**

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	<u>Debt Service 2001</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 268,682
Total assets	<u>\$ 268,682</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Fund balance:	
Reserved for debt service	<u>\$ 268,682</u>
Total liabilities and fund balance	<u>\$ 268,682</u>

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



**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Debt Service 2001</u>
<b>REVENUES</b>	
Interest revenue	\$ 692
Miscellaneous income	<u>3,710</u>
Total revenues	4,402
<b>EXPENDITURES</b>	
Debt Service:	
Principal	23,759
Interest	<u>59,810</u>
Total expenditures	<u>83,569</u>
Deficiency of revenues under expenditures	(79,167)
<b>OTHER FINANCING SOURCES</b>	
Operating transfers in	28,152
Loan proceeds	<u>119,000</u>
Total other financing sources	<u>147,152</u>
Net change in fund balance	67,985
Fund balance, beginning of year	<u>200,697</u>
Fund balance, end of year	<u>\$ 268,682</u>

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR CAPITAL PROJECTS FUND - DEBT SERVICE 2001 FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Miscellaneous revenue	\$ 3,500	\$ 3,500	\$ 3,710	\$ 210
Interest income	-	-	692	692
Total revenues	3,500	3,500	4,402	902
<b>EXPENDITURES:</b>				
Debt service				
Principal	79,880	79,880	23,759	56,121
Interest	-	-	59,810	(59,810)
Total expenditures	79,880	79,880	83,569	(3,689)
Excess (deficiency) of revenues over expenditures	(76,380)	(76,380)	(79,167)	(2,787)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	147,152	147,152	28,152	(119,000)
Loan proceeds	-	-	119,000	119,000
Total other financing sources	147,152	147,152	147,152	-
Net changes in fund balance	70,772	70,772	67,985	(2,787)
Fund balance - beginning of the year	200,697	200,697	200,697	200,697
Fund balance - end of the year	\$ 271,469	\$ 271,469	\$ 268,682	\$ 197,910
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 67,985	
Net change in fund balance GAAP basis			\$ 67,985	

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
MAJOR CAPITAL PROJECTS FUND - WATER FLUORIDE  
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Federal grants	\$ 885,000	\$ 885,000	\$ 469,764	\$ (415,236)
State grants	<u>279,578</u>	<u>279,578</u>	<u>512,396</u>	<u>232,818</u>
Total revenues	1,164,578	1,164,578	982,160	(182,418)
<b>EXPENDITURES:</b>				
Current				
General government	-	-	20,000	(20,000)
Capital outlay	<u>1,344,639</u>	<u>1,344,639</u>	<u>796,962</u>	<u>547,677</u>
Total expenditures	<u>1,344,639</u>	<u>1,344,639</u>	<u>816,962</u>	<u>527,677</u>
Excess (deficiency) of revenues over expenditures	<u>(180,061)</u>	<u>(180,061)</u>	<u>165,198</u>	<u>345,259</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>11</u>	<u>11</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>11</u>	<u>11</u>
Net changes in fund balance	(180,061)	(180,061)	165,209	345,270
Fund balance - beginning of the year	<u>180,061</u>	<u>180,061</u>	<u>180,061</u>	<u>180,061</u>
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,270</u>	<u>\$ 525,331</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 165,209</u>	
Net change in fund balance GAAP basis			<u>\$ 165,209</u>	

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
MAJOR CAPITAL PROJECTS FUND - WATER LINE REPAIR  
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ 1,035,000	\$ 1,035,000	\$ 460,558	\$ (574,442)
Total revenues	1,035,000	1,035,000	460,558	(574,442)
EXPENDITURES:				
Current				
General government	-	-	10,406	(10,406)
Capital outlay	1,720,750	1,720,750	639,086	1,081,664
Total expenditures	1,720,750	1,720,750	649,492	1,071,258
Excess (deficiency) of revenues over expenditures	(685,750)	(685,750)	(188,934)	496,816
OTHER FINANCING SOURCES (USES)				
Transfers in	685,750	685,750	279,650	(406,100)
Total other financing sources (uses)	685,750	685,750	279,650	(406,100)
Net changes in fund balance	-	-	90,716	90,716
Fund balance - beginning of the year	75	75	75	75
Fund balance - end of the year	\$ 75	\$ 75	\$ 90,791	\$ 90,791
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 90,716	
Net change in fund balance GAAP basis			\$ 90,716	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
PROPRIETARY FUND - JOINT UTILITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Charges for services	\$ 2,262,783	\$ 2,262,783	\$ 1,829,377	\$ (433,406)
State shared taxes	146,436	146,436	143,348	(3,088)
Interest income	26,995	26,995	835	(26,160)
Grants	1,068,267	1,068,267	301,425	(766,842)
Miscellaneous income	<u>6,873</u>	<u>6,873</u>	<u>39,016</u>	<u>32,143</u>
Total revenues	3,511,354	3,511,354	2,314,001	(1,197,353)
<b>EXPENDITURES:</b>				
Personnel services	599,916	599,916	428,522	171,394
Other operating expenses	<u>3,344,554</u>	<u>3,344,554</u>	<u>1,137,064</u>	<u>2,207,490</u>
Total expenditures	<u>3,944,470</u>	<u>3,944,470</u>	<u>1,565,586</u>	<u>2,378,884</u>
Excess (deficiency) of revenues over expenditures	<u>(433,116)</u>	<u>(433,116)</u>	<u>748,415</u>	<u>1,181,531</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	192,685	192,685	-	(192,685)
Transfers out	<u>(286,794)</u>	<u>(286,794)</u>	<u>(316,000)</u>	<u>(29,206)</u>
Total other financing sources (uses)	<u>(94,109)</u>	<u>(94,109)</u>	<u>(316,000)</u>	<u>(221,891)</u>
Net changes in fund balance	(527,225)	(527,225)	432,415	959,640
Fund balance - beginning of the year, as restated	<u>7,972,870</u>	<u>7,972,870</u>	<u>7,972,870</u>	<u>7,972,870</u>
Fund balance - end of the year	<u>\$ 7,445,645</u>	<u>\$ 7,445,645</u>	<u>\$ 8,405,285</u>	<u>\$ 8,932,510</u>
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis			\$ 432,415	
Net revenue accruals			379,881	
Net expenditure accruals			(52,622)	
Depreciation expense			<u>(237,099)</u>	
Net change in fund balance GAAP basis			<u>\$ 522,575</u>	

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

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
CITY OF LORDSBURG

SCHEDULE OF DEPOSITORIES  
JUNE 30, 2009

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Western Bank					
General - Operating	CK	\$ 1,164,634	\$ 27,699	\$ 385,959	\$ 806,374
Solid Waste Reserve	CK	20,321	-	-	20,321
City Hall Construction	CK	90,791	-	-	90,791
Water and Sewer Improvements	CK	-	-	-	-
Legislative Gas	CK	856	-	-	856
CDBG Water Project	CK	560	-	-	560
2007-2008 COOP	CK	88,654	-	88,653	1
Debt Service	CK	267,989	-	-	267,989
Cemetery	CK	-	-	-	-
Water Fluoride	CK	345,270	-	-	345,270
Drug Enforcement	CK	32	-	32	-
Bond Account	CK	766	-	766	-
Debt Service	CK	693	-	-	693
Overnight Account	MM	3,676,769	-	-	3,676,769
CD	CD	99,697	-	-	99,697
CD	CD	488,881	-	-	488,881
<b>Total</b>		<b>\$ 6,245,913</b>	<b>\$ 27,699</b>	<b>\$ 475,410</b>	<b>\$ 5,798,202</b>

Reconciliation:

Government-Wide Cash	\$ 1,632,552
Government-Wide Investments	4,165,650
<b>Total</b>	<b>\$ 5,798,202</b>

Type:

CK= Checking

MM= Money Market

CD= Certificate of Deposit

Western Bank	
Amount held in bank June 30, 2009	\$ 6,245,913
Less FDIC Insurance	250,000
Uninsured Public Funds	5,995,913
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	2,997,957
Pledged Securities	2,636,906
Over (Under) Collateralized	<u>\$ (361,051)</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS  
AS OF JUNE 30, 2009**

<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location</u>
Gallup NM, CUSIP#364082FH5, Maturing 6/1/2016	\$ 178,475	Federal Home Loan Bank of Dallas
Roswell NM, CUSIP#778544CC8, Maturing 8/1/2013	400,720	Federal Home Loan Bank of Dallas
FHLMC 2561 AK, CUSIP#31393JVZ8, Maturing 6/15/2010	261,227	Federal Home Loan Bank of Dallas
FHLMC, CUSIP#31394V3D0, Maturing 12/25/2033	472,719	Federal Home Loan Bank of Dallas
FHLMC ARM Pool, CUSIP#31346VH28, Maturing 7/1/2030	287,950	Federal Home Loan Bank of Dallas
FNMA 2002-74 PE, CUSIP# 31392FPP6, Maturing 3/15/2023	<u>1,035,815</u>	Federal Home Loan Bank of Dallas
Total pledged securities	<u>\$ 2,636,906</u>	

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



**CITY OF LORDSBURG  
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE  
JUNE 30, 2009**

<b>Account No.</b>		<b>Rent 14.850</b>	<b>CFP 14.872</b>	<b>Total</b>
<b>Assets:</b>				
<b>Current assets:</b>				
111	Cash-unrestricted	\$ 370,881	\$ -	\$ 370,881
114	Cash-tenant security deposits	<u>13,478</u>	<u>-</u>	<u>13,478</u>
100	Total cash	384,359	-	384,359
<b>Accounts receivable:</b>				
126	Tenants	1,513	-	1,513
142	Prepaid expense and other assets	11,928	-	11,928
144	Inter-Program due from	<u>-</u>	<u>20,909</u>	<u>20,909</u>
150	Total current assets	397,800	20,909	418,709
<b>Fixed assets:</b>				
161	Land	100,000	-	100,000
162	Building and improvements	2,450,758	-	2,450,758
164	Furniture, equipment & machinery	129,660	-	129,660
165	Leasehold improvements	1,791,534	-	1,791,534
166	Accumulated depreciation	<u>(2,575,283)</u>	<u>-</u>	<u>(2,575,283)</u>
160	Total fixed assets, net	<u>1,896,669</u>	<u>-</u>	<u>1,896,669</u>
180	Total non-current assets	<u>1,896,669</u>	<u>-</u>	<u>1,896,669</u>
190	Total assets	<u>\$ 2,294,469</u>	<u>\$ 20,909</u>	<u>\$ 2,315,378</u>
<b>Liabilities and fund equity:</b>				
<b>Current liabilities:</b>				
312	Accounts payable <= 90 days	\$ 16,639	\$ -	\$ 16,639
322	Accrued comp. absences -current portion	6,303	-	6,303
333	Accounts payable - other government	7,620	-	7,620
347	Inter-program due to	20,909	-	20,909
<b>Liabilities payable from restricted assets:</b>				
341	Tenant security deposits	13,700	-	13,700
310	Total current liabilities	<u>65,171</u>	<u>-</u>	<u>65,171</u>
300	Total liabilities	65,171	-	65,171
<b>Net assets:</b>				
508.1	Invested in capital assets, net of rel. debt	1,896,669	-	1,896,669
511.1	Restricted net assets	-	20,909	20,909
512.1	Unrestricted net assets	<u>332,629</u>	<u>-</u>	<u>332,629</u>
513	Total net assets	<u>2,229,298</u>	<u>20,909</u>	<u>2,250,207</u>
600	Total liabilities and net assets	<u>\$ 2,294,469</u>	<u>\$ 20,909</u>	<u>\$ 2,315,378</u>

**CITY OF LORDSBURG  
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE  
JUNE 30, 2009**

Account No.	Low Rent 14.850	CFP 14.872	Total
<b>Revenue</b>			
703 Net tenant rental revenue	\$ 282,601	\$ -	\$ 282,601
705 Total tenant revenue	282,601	-	282,601
706 HUD PHA operating grants	216,494	-	216,494
706.1 Capital grants	-	182,473	182,473
711 Investment income - unrestricted	2,963	-	2,963
715 Other revenue	<u>3,363</u>	<u>-</u>	<u>3,363</u>
700 Total revenue	505,421	182,473	687,894
<b>Expenses</b>			
911 Administrative salaries	94,912	-	94,912
912 Auditing and accounting fees	21,793	-	21,793
915 Employee benefit contributions-Adm	23,713	-	23,713
910 Other operating-administrative	107,326	-	107,326
931 Water	41,705	-	41,705
932 Electricity	6,722	-	6,722
933 Gas	46,371	-	46,371
941 Ordinary maintenance and operations-labor	76,443	-	76,443
942 Ordinary maintenance and operations-materials	87,031	-	87,031
943 Ordinary maintenance and operations-contract	4,411	-	4,411
961 Insurance premiums	<u>12,428</u>	<u>-</u>	<u>12,428</u>
969 Total operating expenses	<u>522,855</u>	<u>-</u>	<u>522,855</u>
970 Excess operating revenue over operating exp.	(17,434)	182,473	165,039
974 Depreciation expense	<u>130,988</u>	<u>-</u>	<u>130,988</u>
900 Total expenses	<u>653,843</u>	<u>-</u>	<u>653,843</u>
100.1 Operating transfers in	182,473	-	182,473
100.2 Operating transfers out	<u>-</u>	<u>(182,473)</u>	<u>(182,473)</u>
101 Total other financing sources (uses)	<u>182,473</u>	<u>(182,473)</u>	<u>-</u>
100 Excess of operating revenue over expenses	34,051	-	34,051
110.3 Beginning net assets	<u>2,195,247</u>	<u>20,909</u>	<u>2,216,156</u>
Net assets at end of year	<u>\$ 2,229,298</u>	<u>\$ 20,909</u>	<u>\$ 2,250,207</u>

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**JOINT POWERS AGREEMENTS  
JUNE 30, 2009**

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**City of Lordsburg and County of Hidalgo Joint Powers Agreement**

Participants	City of Lordsburg and County of Hidalgo
Responsible Party	County of Hidalgo
Description	This agreement was entered into to provide for the operation of a regional transfer station
Period	Perpetual
Project Costs	Undeterminable
County Contribution	Undeterminable
Audit responsibility	County of Hidalgo

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2009**

Federal Grantor Pass Through Grantor Program Title	CFDA	Program or Grant Number	Award Amount	Expenditures
<i>United States Department of Transportation</i>				
State and Community Highway Safety	20.600	09-AL-K8-054	\$ 8,712	\$ 8,712
Airport Improvement Program	20.106	3-35-0026-008-2007	104,478	81,455
Airport Improvement Program	20.106	3-35-0026-008-2008	775,355	148,958
Airport Improvement Program	20.106	3-35-0026-009-2008	<u>70,809</u>	<u>23,088</u>
Total US Department of Transportation			950,642	253,501
<i>United States Department of Agriculture</i>				
Water and Waste Disposal Systems for Rural Communities	10.760	None provided	1,264,000	469,764
<i>United States Department of Health and Human Services</i>				
Emergency Management Performance Grant	97.042	08 SG T8-003	<u>560,000</u>	<u>74,557</u>
Total Expenditures of Federal Awards			<u>\$ 2,783,354</u>	<u>\$ 806,534</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.

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

**COMPLIANCE SECTION**

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City of Lordsburg as of and for the year ended June 30, 2009, and have issued our report thereon dated May 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 06-02, 06-03, 07-01, 09-01, 09-02, 09-04, 09-05 and 09-06. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that are required to be reported under *Government Auditing Standards* January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 07-02, 07-04, 09-01, 09-02, 09-03 and 09-04.

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 City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the City, the audit committee, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*White + Samaniego + Campbell, LLP*

El Paso, Texas  
May 4, 2011

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

Hector H. Balderas  
New Mexico State Auditor  
and the Council Members  
City of Lordsburg  
Lordsburg, New Mexico

**Compliance**

We have audited City of Lordsburg, New Mexico's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have direct and material effect on each of City of Lordsburg, New Mexico's major federal programs for the year ended June 30, 2009. City of Lordsburg, New Mexico's major federal programs are identified in the summary of auditors' 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 City of Lordsburg, New Mexico's management. Our responsibility is to express an opinion on City of Lordsburg, New Mexico'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 referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lordsburg, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Lordsburg, New Mexico's compliance with those requirements.

As described in item 06-05 in the accompanying schedule of findings and questioned costs, City of Lordsburg, New Mexico, did not comply with requirements regarding submitting the data collection form and the reporting package to the federal clearing house that are applicable to its Water and Waste Disposal Systems for Rural Communities major program. Compliance with such requirements is necessary, in our opinion, for City of Lordsburg, New Mexico, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, City of Lordsburg, New Mexico, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2009.



## Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 06-05 to be material weaknesses.

City of City of Lordsburg, New Mexico's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Lordsburg, New Mexico's responses and, accordingly, we express no opinion on the responses.

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

*White + Zamorano + Campbell, LLP*

El Paso, Texas  
May 4, 2011

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs

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

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  No

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

10.760

US Department of Agriculture - Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee

Yes  No

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009**

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**PRIOR YEAR FINDINGS:**

**Section II - Financial Statements Findings**

06-02 Allowance for Doubtful Accounts	Repeated
06-03 Customer Security Deposits	Repeated
07-01 Failure to Apply GAAP	Repeated
07-02 Completion of Audit Report	Repeated
07-04 Budget	Repeated

**Section III - Federal Award Findings**

06-05 Failure to Submit Report Package to Federal Clearing Audit	Repeated
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*Component Unit:*

**Section II - Financial Statements Findings**

06-01 Failure to Maintain Net Assets in Accordance with GASB	Resolved
07-01 Failure to Distribute Interest Earned on Restricted Funds	Resolved
07-02 Failure to Distribute Interest Earned on Security Deposits	Resolved
07-03 Failure to Apply GAAP	Resolved
07-04 Completion of Audit Report	Repeated

STATE OF NEW MEXICO  
CITY OF LORDSBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009

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PRIMARY GOVERNMENT:  
SECTION II - FINANCIAL STATEMENTS FINDINGS

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**Allowance for Doubtful Accounts (06-02)**

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<b>CONDITION</b>	The City failed to establish an allowance for doubtful accounts in the Joint Utilities Fund.
<b>CRITERIA</b>	GASB Statement No. 34 Paragraph 100 states Proprietary Fund revenues should be reported net of allowances with the allowance amount disclosed on the financial statements.
<b>CAUSE</b>	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.
<b>EFFECT</b>	Uncollectible receivable amounts from customers that are not being charged off.
<b>RECOMMENDATION</b>	The City personnel need to establish a policy for determining an allowance for uncollectible receivables.
<b>RESPONSE</b>	The City's Management will implement a policy to determine an allowance for uncollectible receivables.

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**Customer Security Deposits (06-03)**

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<b>CONDITION</b>	The City failed to establish control of Customer Security Deposits in the Joint Utilities Fund.
<b>CRITERIA</b>	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.
<b>CAUSE</b>	The City personnel were not reconciling customer security deposits timely.
<b>EFFECT</b>	There is a difference between the security deposit ledger and the cash account for the security deposits.
<b>RECOMMENDATION</b>	The City personnel need to establish a policy for reconciling the customer deposits to the cash balance.
<b>RESPONSE</b>	The City's management in the process of establishing a control and detail accounts for deposits will reconcile.

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**Failure to Apply GAAP (07-01)**

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<b>CONDITION</b>	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.
<b>CRITERIA</b>	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)
<b>CAUSE</b>	Key employees were not trained to be able to apply GAAP principles in recording the preparing the City's financial statements.
<b>EFFECT</b>	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.
<b>RECOMMENDATION</b>	We suggest that management ensure that all employees receive training in applying generally accepted accounting principles when recording daily transactions.
<b>RESPONSE</b>	The chief financial officer is in the process of developing the system that provides the information for the financial statements on a GAAP basis.

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**Completion of Audit Report (07-02)**

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<b>CONDITION</b>	The audit report was not completed and forwarded to the New Mexico State Auditor by the due date on December 1, 2009. It was submitted in May 2011.
<b>CRITERIA</b>	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, 2009.
<b>CAUSE</b>	The audit was not submitted by the due date. 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. The FY2009 audit was submitted in May 2011.
<b>EFFECT</b>	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.
<b>RECOMMENDATION</b>	The City must implement procedures that would produce a timely audit. Proper accounting control must be established where the City is able to produce financial information for the auditor that has been properly reconciled.
<b>RESPONSE</b>	The City will work closer with the independent auditor to be sure that future audits will be filed on a timely basis.

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**Budget (07-04)**

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**CONDITION** The actual expenditures incurred in two funds were greater than the budgeted expenditures. The City did not submit a corrected budget. In addition, the City budgeted a deficit fund balance for the Recreation fund for \$4,670.

<u>Fund</u>		<u>Budgeted Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Solid Waste Truck	\$	15,336	16,604	(1,268)
Debt Service 2001		79,880	83,569	(3,689)

**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 6-6-2-0).

**CAUSE** Management did not review the budgets and make the corrections needed to address the excess of expenditures.

**EFFECT** The actual expenditures incurred were in excess of budgeted expenditures. The City violated state statutes by not correcting the budgets.

**RECOMMENDATION** The City's management should 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** The City's management will adhere to auditors' recommendation.

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**Per Diem (09-01)**

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**CONDITION** During our state compliance testwork, we selected five per diem expenditures and one of them contained no supporting documentation and was not properly approved. The amount was \$544.

**CRITERIA** According to the NMSA 1978 Section 10-8-1 to 10-8-8, the City has to follow Per Diem and Mileage Act regulations by properly filing supporting documentation and approving per diem expenditures.

**CAUSE** The City's management did not approve all of the per diem expenditures and did not file supporting documentation.

**EFFECT** Approved per diem expenditures might be overstated and unknown.

**RECOMMENDATION** The City's management needs to approve all per diem expenditures and file supporting documentation with each expenditure.

**RESPONSE** The City's management will adhere to auditors' recommendation.

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**Violation of Federal Labor Standards Act (09-02)**

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<b>CONDITION</b>	During test work it was noted that the Financial Officer and City Clerk, both administrative positions were paid based on an hourly rate instead of salary and accruing compensatory time. In addition, the amount of compensatory time accrued by several employees exceeds the FLSA compensatory limits.
<b>CRITERIA</b>	According to the Fair Labor Standards Act, management employees are exempt from overtime allowance or compensatory time requirements. In addition, the Fair Labor Standards Act establishes compensatory limits of time accrued by employees and the City exceeded those limits.
<b>CAUSE</b>	The City did not control and supervise the schedule of compensated absences.
<b>EFFECT</b>	The City is in violation of the Fair Labor Standards Act.
<b>RECOMMENDATION</b>	The City should review the schedule of compensated absences to ensure that management employees are exempt from overtime allowance or compensatory time requirements and to ensure that nonexempt employees do not exceed the limits established by the Act.
<b>RESPONSE</b>	The City's management will adhere to auditors' recommendation.

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**Pledged Collateral (09-03)**

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<b>CONDITION</b>	The amount of pledged collateral for deposits in the bank does cover more than one half of the uninsured amount of public money. Accounts are under pledged by \$361,051.
<b>CRITERIA</b>	According to NMSA 1978 Section 6-10-17, at least one half of total uninsured deposits in banks should be pledged.
<b>CAUSE</b>	The City did not ensure that the amount pledged covers more than one half of uninsured City funds in the bank.
<b>EFFECT</b>	Bank accounts are under pledged by \$361,051.
<b>RECOMMENDATION</b>	The City should ensure that the City funds are pledged for over one half of uninsured total deposits in the bank.
<b>RESPONSE</b>	The City's management will adhere to auditors' recommendation.

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**Journal Entry Testwork (09-04)**

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<b>CONDITION</b>	During our Journal Entry testwork, we selected seventeen items to test and three of them did not contain supporting documentation.
<b>CRITERIA</b>	It is the responsibility of the City to keep and file all supporting documentation for all the transactions occurred in order to maintain accountability.
<b>CAUSE</b>	The City did not file all the supporting documentation for all journal entries within the fiscal year.
<b>EFFECT</b>	There are journal entries that are not properly supported.
<b>RECOMMENDATION</b>	The City should keep supporting documentation for all the journal entries entered.
<b>RESPONSE</b>	The City's management will adhere to auditors' recommendation.

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**Cash Deposits (09-05)**

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<b>CONDITION</b>	Two bank accounts in the name of the City are not recorded in the City's financial statements with the amounts of \$32 and \$766.
<b>CRITERIA</b>	According to NMSA 1978 Section 6-4-2, all monies coming into all agencies shall be considered public monies and be accounted as such.
<b>CAUSE</b>	The City did not include two bank accounts as public monies and did not account for them within the City's Financial Statements.
<b>EFFECT</b>	The City's Financial statements do not contain two accounts.
<b>RECOMMENDATION</b>	The City should account and record all bank accounts used by the City and its departments.
<b>RESPONSE</b>	The City's management will adhere to auditors' recommendation.



**Restatement ( 09-06)**

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<b>CONDITION</b>	A prior period adjustment was made to several funds because three different material differences. The City maintains an investment account that during 2008 was recorded as cash in the general fund that should had been recorded as an investment in all the other funds for an amount of \$1,081,895. In addition, another prior period adjustment was recorded to adjust the beginning balance of compensated absences of \$10,506 in the general fund and \$5,287 for the Joint Utilities fund. Finally, the beginning balance for long-term debt was understated by \$148,055 and a prior period adjustment was posted.
<b>CRITERIA</b>	The City's supporting schedules of the investment account and compensated absences did not agree with the financial statements. Management is required to review and approve the financial statements and ensure that the numbers presented are in agreement with the City's supporting documentation.
<b>CAUSE</b>	The City did not ensure that the amounts inserted in the financial statements were in agreement with the City's records.
<b>EFFECT</b>	The investment accounts were understated in several funds and cash in the general fund was overstated and a prior period adjustment was recorded to properly represent the correct amounts. In addition, the beginning balance in compensated absences was understated and a prior period adjustment was posted to correct the beginning balance.
<b>RECOMMENDATION</b>	The City should make sure that the amounts in the financial statements agree to the City's underlying supporting documentation.
<b>RESPONSE</b>	The City's management will adhere to auditors' recommendation.

### SECTION III - FEDERAL AWARDS FINDINGS

#### CFDA 10.760 - Failure to Submit Report Package to Federal Clearing Audit - US Department of Agriculture (06-05)

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<b>CONDITION</b>	The data collection form for the year ending June 30, 2009 and the reporting package were not submitted to the federal clearing house within 9 months after the fiscal year end.
<b>CRITERIA</b>	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.
<b>CAUSE</b>	Lack of understanding the submission requirements of filing the reporting package with the data collection form.
<b>EFFECT</b>	Federal grant compliance is not being adhered to and federal reports are not being submitted.
<b>RECOMMENDATION</b>	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.
<b>RESPONSE</b>	The package that must be submitted to the federal clearing house will be submitted on a timely basis in the future.

#### COMPONENT UNIT:

### SECTION II - FINANCIAL STATEMENTS FINDINGS

#### Completion of Audit Report (07-04)

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<b>CONDITION</b>	The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The FY2009 audit was submitted in January 2010.
<b>CRITERIA</b>	As per SAO 2.2.2.9, A (4), the New Mexico State Auditor contract calls for this audit report to be delivered by December 1, 2009.
<b>CAUSE</b>	The audit was not submitted to the Housing Authority until January 8, 2009. Prior audit workpapers were not furnished by prior auditor on a timely manner.
<b>EFFECT</b>	Violation of the State Auditor's Rule. Audited financial information is not available for the Housing Authority to use and distribute as necessary.
<b>RECOMMENDATION</b>	The Housing Authority must implement procedures that would produce a timely audit. Proper accounting control must be established where the Housing Authority staff is able to produce financial information for the auditor that has been properly reconciled.
<b>RESPONSE</b>	The Lordsburg Public Housing Authority has implemented procedures and provide sufficient information to current auditors to finish the audit on time.

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**Payroll Documents (09-01)**

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<b>CONDITION</b>	During the course of the audit, we noted various errors in payroll procedures. Of the six timesheet tested, there were four instances where the total number of hours paid did not agree to the total number of hours per timesheet tested and all six of them were not signed by the employees.
<b>CRITERIA</b>	In accordance with the City of Lordsburg Personnel Policies section 4-18 preparation of payroll time sheets, time sheets are to be completed by all employees. The time sheet shall include: employee name, employee number, department, pay period hours to be compensated broken down on a daily basis into hours worked, holiday time, sick leave, compensatory time, annual leave, leave without pay, etc., employee signature, and department head signature.
<b>CAUSE</b>	Management did not ensure that the number of hours worked agreed to total number of hours paid or that timesheets were signed by employees.
<b>EFFECT</b>	The Lordsburg Public Housing Authority may have overpaid/underpaid its employees.
<b>RECOMMENDATION</b>	We recommend that management closely review the timesheets and compare them to the payroll summary.
<b>RESPONSE</b>	Timesheets will be signed by the Housing Authority's employees certifying that the number of hours worked are the same as the number of hours indicated in the timesheets beginning on pay period ending December 11, 2009.

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**Tenant Deposits (09-02)**

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<b>CONDITION</b>	Good accounting practices state that an entity should hold sufficient cash balances at any time to cover deposit liabilities. The Housing Authority holds a tenant liability of \$13,700 but a cash balance of \$13,478 in the tenant security deposits account leaving a balance of \$222 not covered by cash on hand.
<b>CRITERIA</b>	The Housing Authority did not maintain cash balances at a level above their tenant deposits at June 30, 2009 in the Low Income Housing Program.
<b>CAUSE</b>	The Housing Authority does not have controls in place to ensure that a sufficient cash balance is maintained to ensure having more cash than tenant deposits.
<b>EFFECT</b>	In the event of a large loss of tenants, the authority would not have sufficient cash to pay back the tenant deposit liability. The Housing Authority would have to use funds from another program, which would be against program guidelines, to pay back the tenant liability.
<b>RECOMMENDATION</b>	Management must ensure that sufficient cash balances in the tenant security deposits account exist at all times to cover the Housing Authority's tenant deposit liability.
<b>RESPONSE</b>	As of December 7, 2009 the difference was corrected and there are sufficient funds in the Security Deposits cash account to cover the tenant liability.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2009**

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An exit conference was held on April 14, 2011 in a closed meeting with the following City officials:

Frank Rodriguez  
Theodoro Castillo

Mayor  
Finance Officer

White + Samaniego + Campbell, LLP

Roxie Samaniego  
Cynthia Morales

Partner In-Charge  
Auditor

The financial statements presented in this report were compiled with the assistance of the auditors, White + Samaniego + Campbell, LLP. However, the contents of the financial statements remain the responsibility of management.