

**State of New Mexico
City of Lordsburg**

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2010
and Independent Auditors' Report**

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

TABLE OF CONTENTS

	Page
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Major Governmental Funds:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Government Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Government Funds to the Statement of Activities	21
General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Lodgers Tax Fund	23
Proprietary Funds:	
Statement of Net Assets - Joint Utilities	25
Statement of Revenues, Expenses, and Changes in Net Assets - Joint Utilities	26
Statement of Cash Flows - Joint Utilities	27
NOTES TO BASIC FINANCIAL STATEMENTS	29

SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds:

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet - Non-Major Governmental Fund Types 48

Combining Statement of Revenues, Expenditures and Changes in Fund Balance -
Non-Major Governmental Fund Types 49

Non-Major Governmental Funds - Special Revenue Funds:

Combining Balance Sheet 51

Combining Statement of Revenues, Expenditures and Changes in Fund Balance 52

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

Fire Fund 53

Corrections Fund 54

Law Enforcement Fund 55

Cemetery Fund 56

Recreation Fund 57

City Income Fund 58

Special Events Fund 59

Road Fund 60

Non-Major Capital Projects Fund:

Combining Balance Sheet 62

Combining Statement of Revenues and Expenditures and Changes in Fund Balance 63

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

Swimming Pool Fund 64

Main Street Improvement Fund 65

CDBG Water Project 2007 Fund 66

2007-2008 Co-Op Fund 67

Waste Water Reuse Project Fund	68
Water Fluoride Fund	69
Non-Major Debt Service Fund:	
Combining Balance Sheet	71
Combining Statement of Revenues and Expenditures and Changes in Fund Balance	72
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual	73
Major Capital Project Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Water Line Repair Fund	74
Proprietary Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Joint Utilities	75
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Depositories	77
Schedule of Collateral Pledged Depository for Public Funds	78
Financial Data Schedule	79
Joint Powers Agreements	81
COMPLIANCE	
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	83
Schedule of Findings and Responses	85
Exit Conference	92

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**OFFICIAL ROSTER
JUNE 30, 2010**

**CITY OF LORDSBURG
ELECTED OFFICIALS FY2010**

Frank Rodriguez	Mayor
Dana Arredondo	Councilor
Elias Ruiz, Jr.	Councilor
Ernest Gallegos	Councilor
Alex De La Garza	Councilor
Eddie Esquivel	Councilor
Manuel Saucedo	Councilor

**CITY OF LORDSBURG
DEPARTMENT HEADS FY2010**

Donna Adams	City Clerk
Theodore Castillo	Finance Officer
Mark Thomas	Chief of Police
David Arredondo	Municipal Judge

**LORDSBURG PUBLIC HOUSING AUTHORITY
BOARD OF COMMISSIONERS FY2010**

Frank M. Rodriguez	Chairman of the Board
Eddie Esquivel	Commissioner
Alex V. De La Garza	Commissioner
Elias H. Ruiz Jr.	Commissioner
Ernesto Gallegos	Commissioner
Manuel D. V. Saucedo	Commissioner
Dana M. Arredondo	Commissioner

**LORDSBURG PUBLIC HOUSING AUTHORITY
OFFICIALS FY2010**

Esperanza Tarango	Executive Director
-------------------	--------------------



WHITE+
SAMANIEGO+
CAMPBELL, LLP

CERTIFIED PUBLIC ACCOUNTANTS

416 North Stanton
Suite 600
El Paso, Tx 79901
ph. 915.532.8400
fax. 915.532.8405
www.cpawsc.com

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 and major special revenue funds of the City of Lordsburg, as of and for the year ended June 30, 2010, 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 fund, debt service fund, enterprise 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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund, debt service fund, enterprise 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 January 31, 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 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 + Samaniego + Campbell, LLP

El Paso, Texas
January 31, 2011

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010. 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 \$22,610,878 (net assets). Of this amount, \$4,044,932 (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 \$1,092,475 during the fiscal year. During 2010 the City received less revenue than in 2009 but was able to spend less than received during the year.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$2,184,103. Of this total, \$951,566 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 \$900,448.

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 nineteen 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, Lodgers Tax 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 Water Line Repair 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 29 to 44 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 \$22,610,878 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 \$17,644,917 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 \$4,044,932 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 \$1,092,475. These increases are explained in the governmental activities discussion.

Governmental Activities

Governmental activities decreased the City's net assets by \$2,165,090. Grant revenue decreased \$1,218,589 over grant revenue in the prior year. Property taxes, gross receipts taxes and other taxes contributed \$2,023,365 for covering the \$3,897,204 program expense associated with governmental activities during FY2010.

Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The total revenues decreased \$1,205,196 due to a decline in economic activity.

Business-Type Activities

Business-type activities increased the City's net assets by \$3,257,565 after transfers of \$2,667,553 in from the general fund, compared to the prior year's increase of \$522,575 after transfers of \$316,000 to the general fund. The key element of this increase compared to the prior year change was a decrease in charges for services and an increase of expenditures for the water system during the current year.

Total revenues from governmental and business-type activities are summarized below. For fiscal year 2010-2009, Local and State taxes made up 32% of the total general government revenues compared to 30% of the revenues in the prior year.

Can't Show revenue10.bmp

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	
	2010	2009	2010	2009	2010	2009			2010	2009
ASSETS										
Current and other assets	\$ 2,380,130	\$ 4,031,380	\$ 2,865,618	\$ 2,396,592	\$ 5,245,748	\$ 6,427,972	(0.18)%	\$ 380,672	\$ 405,231	
Non current assets	-	-	58,075	75,221	58,075	75,221	(0.23)%	13,742	13,478	
Capital assets, net of accumulated depreciation	10,079,524	10,601,913	9,215,292	6,439,352	19,294,816	17,041,265	0.13 %	1,993,339	1,896,669	
Total assets	\$12,459,654	\$14,633,293	\$12,138,985	\$ 8,911,165	\$24,598,639	\$23,544,458	0.04 %	\$ 2,387,753	\$ 2,315,378	
LIABILITIES										
Current and other liabilities	\$ 251,137	\$ 234,193	\$ 80,172	\$ 87,194	\$ 331,309	\$ 321,387	0.03 %	\$ 78,029	\$ 65,171	
Long-term liabilities	1,350,649	1,376,142	305,803	328,526	1,656,452	1,704,668	(0.03)%	-	-	
Total liabilities	1,601,786	1,610,335	385,975	415,720	1,987,761	2,026,055	(0.02)%	78,029	65,171	
NET ASSETS										
Invested in capital assets, net of related debt	8,675,168	9,172,557	8,969,749	6,167,000	17,644,917	15,339,557	0.15 %	1,993,339	1,896,669	
Restricted	921,029	1,796,279	-	-	921,029	1,796,279	(0.49)%	20,909	20,909	
Unrestricted	1,261,671	2,054,122	2,783,261	2,328,445	4,044,932	4,382,567	(0.08)%	295,476	332,629	
Total net assets	10,857,868	13,022,958	11,753,010	8,495,445	22,610,878	21,518,403	0.05 %	2,309,724	2,250,207	
Total liabilities and net assets	\$12,459,654	\$14,633,293	\$12,138,985	\$ 8,911,165	\$24,598,639	\$23,544,458	0.04 %	\$ 2,387,753	\$ 2,315,378	

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	
	2010	2009	2010	2009	2010	2009		2010	2009
REVENUES									
Program revenue:									
Charges for services	\$ 153,908	\$ 137,898	\$ 2,107,742	\$ 2,209,258	\$ 2,261,650	\$ 2,347,156	(0.04)%	\$ 263,844	\$ 282,601
Operating grant and contributions	452,948	787,511	271,015	301,425	723,963	1,088,936	(0.34)%	244,917	216,494
Capital grants and contributions	987,478	1,871,504	-	-	987,478	1,871,504	(0.47)%	236,586	182,473
General revenues:									
Taxes	2,023,365	2,339,525	177,805	143,348	2,201,170	2,482,873	(0.11)%	-	-
Other income	781,968	468,425	13,568	39,851	795,536	508,276	0.57%	8,540	6,326
Total revenues	4,399,667	5,604,863	2,570,130	2,693,882	6,969,797	8,298,745	(0.16)%	753,887	687,894
EXPENSES									
General government	1,541,208	1,072,213	-	-	1,541,208	1,072,213	0.44	694,370	653,843
Public safety	1,297,120	1,240,621	-	-	1,297,120	1,240,621	0.05%	-	-
Public works	589,661	439,556	-	-	589,661	439,556	0.34%	-	-
Health and welfare	373,391	355,580	-	-	373,391	355,580	0.05%	-	-
Cultural and recreation	95,824	288,292	-	-	95,824	288,292	(0.67)%	-	-
Proprietary expenses	-	-	1,980,118	1,855,307	1,980,118	1,855,307	0.07%	-	-
Total expenses	3,897,204	3,396,262	1,980,118	1,855,307	5,877,322	5,251,569	0.12%	694,370	653,843
Changes in net assets before transfers	502,463	2,208,601	590,012	838,575	1,092,475	3,047,176	(0.64)%	59,517	34,051
Transfers	(2,667,553)	316,000	2,667,553	(316,000)	-	-	-	-	-
Changes in net assets	(2,165,090)	2,524,601	3,257,565	522,575	1,092,475	3,047,176	(0.64)%	59,517	34,051
Net assets - beginning	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
Restatement	-	(1,240,456)	-	1,076,608	-	(163,848)	-	-	-
Net assets - beginning, restated	13,022,958	10,498,357	8,495,445	7,972,870	21,518,403	18,471,227	0.16%	2,250,207	2,216,156
Net assets - ending	\$10,857,868	\$13,022,958	\$11,753,010	\$ 8,495,445	\$22,610,878	\$21,518,403	0.05%	\$ 2,309,724	\$ 2,250,207

Can't Show rev funct.bmp

Can't Show exp funct.bmp

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 City 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 \$2,184,103, a decrease of \$1,674,267 in comparison with the prior year. The decrease is primarily due to the decrease in grant and tax revenue. Approximately 41% of this total amount, \$900,448 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, \$951,566.

Revenues for governmental functions overall totaled approximately \$4,394,089 in the fiscal year-ended June 30, 2010, which represents a decrease of \$2,684,997 from the fiscal year-ended June 30, 2009. Expenditures for governmental functions totaled \$6,076,737. This was an increase of approximately \$485,309 from the fiscal year-ended June 30, 2009. In the fiscal year-ended June 30, 2010, expenditures for governmental functions exceeded revenues by approximately \$1,682,648.

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 \$900,448.

The fund balance of the City's General Fund decreased \$1,161,643 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 \$2,783,261. The total increase in net assets for the proprietary fund was \$3,257,565.

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 2010, the cash and investments balance of the General Fund had decreased by \$1,164,660.

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, 2010 amount to \$19,294,816 (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 \$2,549,730 for governmental activities. Improvements and machinery and equipment costing \$236,999 was purchased for the City and land and construction in progress of \$2,312,731. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$340,998, due to improvements and purchase of machinery and equipment. There were no deletions in the governmental activities or in the business-type during 2010.

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, 2010**

	<u>Governmental Activities</u>		<u>Business - Type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Land and Construction in Progress	\$ 1,445,309	\$ 3,961,651	\$ 87,715	\$ 87,715	\$ 1,533,024	\$ 4,049,366
Building & Infrastructure	7,699,559	5,692,956	8,964,559	6,172,603	16,664,118	11,865,559
Machinery and Equipment	<u>934,656</u>	<u>947,306</u>	<u>163,018</u>	<u>179,034</u>	<u>1,097,674</u>	<u>1,126,340</u>
Capital Assets, Net of A/D	<u>\$10,079,524</u>	<u>\$10,601,913</u>	<u>\$ 9,215,292</u>	<u>\$ 6,439,352</u>	<u>\$19,294,816</u>	<u>\$17,041,265</u>

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

The Statement of Net Assets shows the Investment in Capital Assets-Governmental Funds in the amount of \$17,644,917. 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, 2010

	Governmental Activities		Business - Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Notes Payable	\$ 419,356	\$ 419,356	\$ 245,543	\$ 272,352	\$ 664,899	\$ 691,708
Bond Payable	985,000	1,010,000	-	-	985,000	1,010,000
Compensated Absences	<u>29,147</u>	<u>30,135</u>	<u>15,015</u>	<u>15,525</u>	<u>44,162</u>	<u>45,660</u>
Total Long Term Debt	<u>\$ 1,433,503</u>	<u>\$ 1,459,491</u>	<u>\$ 260,558</u>	<u>\$ 287,877</u>	<u>\$ 1,694,061</u>	<u>\$ 1,747,368</u>

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, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 714,111	\$ 175,625	\$ 889,736	\$ 379,173
Investments	1,381,347	2,198,723	3,580,070	-
Accounts receivable	244,887	491,270	736,157	1,499
Due from other governments	39,785	-	39,785	-
Total current assets	2,380,130	2,865,618	5,245,748	380,672
NON-CURRENT ASSETS:				
Restricted assets - cash	-	58,075	58,075	13,742
Capital assets	13,853,986	10,950,779	24,804,765	4,696,177
Less accumulated depreciation	(3,774,462)	(1,735,487)	(5,509,949)	(2,702,838)
Total assets	\$ 12,459,654	\$ 12,138,985	\$ 24,598,639	\$ 2,387,753
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 111,132	\$ 39,988	\$ 151,120	\$ 42,405
Accrued salaries	21,874	5,064	26,938	-
Cash overdraft	35,277	-	35,277	-
Compensated absences, current portion	14,573	7,507	22,080	5,462
Due to other governments	-	-	-	15,362
Current portion of long-term debt	68,281	27,613	95,894	-
Total current liabilities	251,137	80,172	331,309	63,229
NON-CURRENT LIABILITIES:				
Compensated absences, net of current portion	14,574	7,508	22,082	-
Customer deposits	-	80,365	80,365	14,800
Long-term debt, net of current portion	1,336,075	217,930	1,554,005	-
Total liabilities	1,601,786	385,975	1,987,761	78,029
NET ASSETS				
Invested in capital assets, net of related debt	8,675,168	8,969,749	17,644,917	1,993,339
Restricted for:				
Reserved for capital projects funds	189,024	-	189,024	20,909
Reserved for special revenue funds	399,916	-	399,916	-
Reserved for debt services	332,089	-	332,089	-
Unrestricted	1,261,671	2,783,261	4,044,932	295,476
Total net assets	\$ 10,857,868	\$ 11,753,010	\$ 22,610,878	\$ 2,309,724

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, 2010**

FUNCTIONAL/PROGRAMS:	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,541,208	\$ 83,002	\$ 452,948	\$ -	\$ (1,005,258)	\$ -	\$ (1,005,258)
Public safety	1,297,120	47,286	-	-	(1,249,834)	-	(1,249,834)
Public works	589,661	-	-	987,478	397,817	-	397,817
Culture and recreation	373,391	16,057	-	-	(357,334)	-	(357,334)
Health and welfare	95,824	7,563	-	-	(88,261)	-	(88,261)
Total governmental activities	3,897,204	153,908	452,948	987,478	(2,302,870)	-	(2,302,870)
Business-type activities:							
Joint Utilities							
Water	707,716	802,737	-	-	-	95,021	95,021
Gas	621,671	731,684	249,275	-	-	359,288	359,288
Sewer	268,758	239,649	7,800	-	-	(21,309)	(21,309)
Solid waste	381,973	333,672	13,940	-	-	(34,361)	(34,361)
Total business-type activities	1,980,118	2,107,742	271,015	-	-	398,639	398,639
Total primary government	5,877,322	2,261,650	723,963	987,478	(2,302,870)	398,639	(1,904,231)
Component Unit	694,370	263,844	244,917	236,586	-	-	50,977
General Revenues:							
Taxes							
Local taxes					1,050,943	177,805	1,228,748
State shared taxes					972,422	-	972,422
Small cities assistance					71,435	-	71,435
Licenses and permits					7,569	-	7,569
Fines and forfeitures					200,043	-	200,043
Interest					1,861	355	2,216
Miscellaneous					501,060	13,213	514,273
Transfers					(2,667,553)	2,667,553	-
Total general revenues and transfers					137,780	2,858,926	2,996,706
Changes in net assets					(2,165,090)	3,257,565	1,092,475
Net assets, beginning of year					13,022,958	8,495,445	21,518,403
Net assets, end of year					\$ 10,857,868	\$ 11,753,010	\$ 22,610,878

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, 2010**

	General Fund	Lodgers Tax Fund	Water Line Repair Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 23,286	\$ -	\$ 690,825	\$ 714,111
Investments	825,949	320,071	-	235,327	1,381,347
Accounts receivable	199,321	20,811	-	24,755	244,887
Due from other governments	39,785	-	-	-	39,785
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,065,055</u>	<u>\$ 364,168</u>	<u>\$ -</u>	<u>\$ 950,907</u>	<u>\$ 2,380,130</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 100,189	\$ 1,542	\$ -	\$ 9,401	\$ 111,132
Accrued salaries	18,368	-	-	3,506	21,874
Cash overdraft	18,306	-	-	16,971	35,277
Deferred revenue	27,744	-	-	-	27,744
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	164,607	1,542	-	29,878	196,027
Fund balances:					
Reserved for capital projects funds	-	-	-	189,024	189,024
Reserved for special revenue funds	-	362,626	-	399,916	762,542
Reserved for debt services	-	-	-	332,089	332,089
Unreserved	900,448	-	-	-	900,448
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>900,448</u>	<u>362,626</u>	<u>-</u>	<u>921,029</u>	<u>2,184,103</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,065,055</u>	<u>\$ 364,168</u>	<u>\$ -</u>	<u>\$ 950,907</u>	<u>\$ 2,380,130</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, 2010**

Total fund balances - governmental funds \$ 2,184,103

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	13,853,986	
Accumulated depreciation	<u>(3,774,462)</u>	10,079,524

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

Property taxes		27,744
----------------	--	--------

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	1,404,356	
Compensated absences	<u>29,147</u>	<u>(1,433,503)</u>

Total net assets - governmental activities **\$ 10,857,868**

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, 2010**

	General Fund	Lodgers Tax Fund	Water Line Repair Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local taxes	\$ 808,976	\$ 175,770	\$ -	\$ 60,619	\$ 1,045,365
State shared taxes	719,392	-	-	253,030	972,422
Licenses and permits	7,569	-	-	-	7,569
Charges for services	83,002	-	-	70,906	153,908
Fines and forfeitures	200,043	-	-	-	200,043
Miscellaneous revenue	500,361	-	-	699	501,060
Small cities assistance	71,435	-	-	-	71,435
Federal and state grants	452,948	-	566,602	420,876	1,440,426
Interest income	-	1,509	-	352	1,861
Total revenues	2,843,726	177,279	566,602	806,482	4,394,089
EXPENDITURES					
Current:					
General government	1,272,357	80,349	-	-	1,352,706
Public safety	1,115,413	-	-	101,266	1,216,679
Public works	108,577	-	-	349,264	457,841
Culture and recreation	92,182	-	-	167,411	259,593
Health and welfare	47,327	-	-	48,497	95,824
Capital outlay	219,049	-	1,514,053	816,628	2,549,730
Debt service:					
Principal	-	-	-	25,000	25,000
Interest	-	-	-	119,364	119,364
Total expenditures	2,854,905	80,349	1,514,053	1,627,430	6,076,737
Excess (deficiency) of revenues over expenditures	(11,179)	96,930	(947,451)	(820,948)	(1,682,648)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	98,102	856,660	605,505	1,560,267
Transfers out	(1,150,464)	(245,254)	-	(156,168)	(1,551,886)
Total other financing source (uses)	(1,150,464)	(147,152)	856,660	449,337	8,381
Net change in fund balance	(1,161,643)	(50,222)	(90,791)	(371,611)	(1,674,267)
Fund balance, beginning of year	2,062,091	412,848	90,791	1,292,640	3,858,370
Fund balance, end of year	\$ 900,448	\$ 362,626	\$ -	\$ 921,029	\$ 2,184,103

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, 2010**

Net change in fund balances - total governmental funds \$ (1,674,267)

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	2,549,730	
Transferred to business-type activities	(2,675,934)	
Depreciation expense	<u>(396,185)</u>	(522,389)

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures.	25,000
---	--------

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.	5,578
---	-------

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>988</u>
---	------------

Change in net assets of governmental activities **\$ (2,165,090)**

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, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ 817,056	\$ 817,056	\$ 777,259	\$ (39,797)
State shared taxes	753,387	753,387	565,167	(188,220)
Licenses and permits	11,800	11,800	7,569	(4,231)
Charges for services	66,959	66,959	83,002	16,043
Fines and forfeitures	175,457	175,457	200,043	24,586
Miscellaneous revenue	456,921	456,921	486,982	30,061
Small cities assistance	146,361	146,361	71,435	(74,926)
Federal and state grants	600,921	600,921	452,948	(147,973)
Total revenues	<u>3,028,862</u>	<u>3,028,862</u>	<u>2,644,405</u>	<u>(384,457)</u>
EXPENDITURES:				
Current				
General government	1,709,723	1,709,723	1,153,800	555,923
Public safety	941,705	941,705	1,115,413	(173,708)
Public works	211,525	211,525	108,577	102,948
Culture and recreation	206,525	206,525	92,182	114,343
Health and welfare	69,081	69,081	47,327	21,754
Capital outlay	<u>74,536</u>	<u>74,536</u>	<u>219,049</u>	<u>(144,513)</u>
Total expenditures	<u>3,213,095</u>	<u>3,213,095</u>	<u>2,736,348</u>	<u>476,747</u>
Excess (deficiency) of revenues over expenditures	(184,233)	(184,233)	(91,943)	92,290
OTHER FINANCING SOURCES (USES)				
Transfers in	81,112	81,112	-	(81,112)
Transfers out	<u>(1,150,852)</u>	<u>(1,150,852)</u>	<u>(1,150,464)</u>	<u>388</u>
Total other financing sources (uses)	<u>(1,069,740)</u>	<u>(1,069,740)</u>	<u>(1,150,464)</u>	<u>(80,724)</u>
Net changes in fund balance	(1,253,973)	(1,253,973)	(1,242,407)	11,566
Fund balance - beginning of the year	<u>2,062,091</u>	<u>2,062,091</u>	<u>2,062,091</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 808,118</u>	<u>\$ 808,118</u>	<u>\$ 819,684</u>	<u>\$ 11,566</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (1,242,407)	
Net revenue accruals			199,321	
Net expenditure accruals			<u>(118,557)</u>	
Net change in fund balance GAAP basis			<u>\$ (1,161,643)</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 SPECIAL REVENUE FUND - LODGERS TAX FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Plosive (Negative)
REVENUES:				
Local taxes	\$ 245,254	\$ 245,254	\$ 154,959	\$ (90,295)
Interest income	-	-	1,509	1,509
Total revenues	245,254	245,254	156,468	(88,786)
EXPENDITURES:				
Current				
General government	102,633	102,633	78,807	23,826
Total expenditures	102,633	102,633	78,807	23,826
Excess (deficiency) of revenues over expenditures	142,621	142,621	77,661	(64,960)
OTHER FINANCING SOURCES (USES)				
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	(4,531)	(4,531)	(69,491)	(64,960)
Fund balance - beginning of the year	412,848	412,848	412,848	-
Fund balance - end of the year	\$ 408,317	\$ 408,317	\$ 343,357	\$ (64,960)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (69,491)	
Net revenue accruals			20,811	
Net expenditure accruals			(1,542)	
Net change in fund balance GAAP basis			\$ (50,222)	

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, 2010**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 175,625
Investments	2,198,723
Accounts receivable	<u>491,270</u>

Total current assets 2,865,618

Restricted assets - cash	58,075
Capital assets	10,950,779
Less accumulated depreciation	<u>(1,735,487)</u>

Total assets \$ 12,138,985

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 39,988
Accrued salaries	5,064
Compensated absences - current portion	7,507
Revenue bonds payable - current portion	<u>27,613</u>

Total current liabilities 80,172

Customer deposits	80,365
Compensated absences	7,508
Revenue bonds payable - long-term portion	<u>217,930</u>

Total liabilities 385,975

NET ASSETS

Invested in capital assets, net of related debt	8,969,749
Unrestricted	<u>2,783,261</u>

Total net assets 11,753,010

Total liabilities and net assets \$ 12,138,985

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, 2010

OPERATING REVENUES	
Charges for services	\$ 2,107,742
Gross receipts tax municipal	177,805
Miscellaneous	<u>13,213</u>
Total operating revenues	2,298,760
OPERATING EXPENSES	
Personnel services	462,284
Other operating expenses	1,276,842
Depreciation expense	<u>240,992</u>
Total operating expenses	<u>1,980,118</u>
Operating income	318,642
NON OPERATING REVENUES	
Grants	271,015
Interest income	<u>355</u>
Total non operating revenues	271,370
OTHER FINANCING SOURCES	
Transfers in	2,675,934
Transfers out	<u>(8,381)</u>
Total transfers	<u>2,667,553</u>
Change in net assets	3,257,565
Net assets, beginning of year	<u>8,495,445</u>
Net assets, end of year	<u>\$ 11,753,010</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, 2010**

Cash flows from operating activities:	
Cash received from agencies and customers	\$ 2,187,371
Cash used for salaries and operating expenses	<u>(1,742,062)</u>
Net cash provided by operating activities	445,309
Cash flows from non-capital activities and related financing activities:	
Grants received	271,015
Net transfers	<u>2,667,553</u>
Net cash provided by non-capital activities and related financing activities	2,938,568
Cash flows from capital activities and related financing activities:	
Acquisition of capital assets	(3,016,932)
Principal payments on capital debt	<u>(26,809)</u>
Net cash used in capital activities and related financing activities	(3,043,741)
Cash flows from investing activities:	
Interest income	355
Cash reclassified as investment	<u>(529,013)</u>
Net cash used in investing activities	<u>(528,658)</u>
Net decrease in cash and cash equivalents	(188,522)
Cash and cash equivalents - beginning	<u>422,222</u>
Cash and cash equivalents - ending	<u>\$ 233,700</u>
SUPPLEMENTARY INFORMATION:	
Cash and cash equivalents	\$ 175,625
Restricted cash	<u>58,075</u>
Total cash and cash equivalents	<u>\$ 233,700</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 318,642
Adjustments to operating income to net cash used in operating activities:	
Depreciation	240,992
Changes in net assets and liabilities:	
Accounts receivables	(111,389)
Accounts payable	4,442
Accrued salaries	(12,012)
Compensated absences	(510)
Customer deposits	<u>5,144</u>
Net cash provided by operating activities	<u>\$ 445,309</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, 2010**

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.

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. 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 City is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which includes the following special revenue fund and capital project fund that were required to be presented as major funds:

Lodgers Tax Fund - (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)

Water Line Repair Fund - (capital project 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, 2010 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, 2010, 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	\$ 4,628,791	\$ 2,150	\$ 138,337	<u>\$ 4,492,604</u>

Statement of Net Assets:

Cash	\$ 889,736
Restricted cash	58,075
Investments	3,580,070
Cash overdraft	<u>(35,277)</u>
Total	<u>\$ 4,492,604</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.

	Western Bank
Amount held in bank June 30, 2010	\$ 4,628,791
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	4,378,791
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	2,189,396
Pledged Securities	<u>2,155,982</u>
Over (Under) Collateralized	<u>\$ (33,414)</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, 2010, \$4,492,604 of the City's bank balance of \$2,303,208 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the City's name	\$ 2,189,396
Uninsured and uncollateralized	<u>2,303,208</u>
Total	<u>\$ 4,492,604</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivable	<u>\$ 244,887</u>	<u>\$ 491,270</u>	<u>\$ 736,157</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, 2010, 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, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<i>Government activities:</i>					
Capital assets not being depreciated:					
Land	\$ 503,769	\$ -	\$ -	\$ -	\$ 503,769
Construction in progress	<u>3,457,882</u>	<u>2,312,731</u>	<u>-</u>	<u>(4,829,073)</u>	<u>941,540</u>
Total	<u>3,961,651</u>	<u>2,312,731</u>	<u>-</u>	<u>(4,829,073)</u>	<u>1,445,309</u>
Other capital assets being depreciated					
Buildings	2,337,522	-	-	2,153,139	4,490,661
Improvements	3,193,723	88,728	-	-	3,282,451
Infrastructure	2,206,511	-	-	-	2,206,511
Machinery and equipment	<u>2,280,783</u>	<u>148,271</u>	<u>-</u>	<u>-</u>	<u>2,429,054</u>
Total	<u>10,018,539</u>	<u>236,999</u>	<u>-</u>	<u>2,153,139</u>	<u>12,408,677</u>
Accumulated depreciation					
Buildings	751,871	66,754	-	-	818,625
Improvements	920,851	139,090	-	-	1,059,941
Infrastructure	372,078	29,420	-	-	401,498
Machinery and equipment	<u>1,333,477</u>	<u>160,921</u>	<u>-</u>	<u>-</u>	<u>1,494,398</u>
Total A/D	<u>3,378,277</u>	<u>396,185</u>	<u>-</u>	<u>-</u>	<u>3,774,462</u>
Total capital assets	<u>\$ 10,601,913</u>	<u>\$ 2,153,545</u>	<u>\$ -</u>	<u>\$(2,675,934)</u>	<u>\$ 10,079,524</u>

Depreciation expense for the year ended June 30, 2010 was charged as follows:

General government	\$ 70,126
Public safety	80,440
Public works	131,821
Culture and recreation	<u>113,798</u>
Total depreciation expense	<u>\$ 396,185</u>

	Balance June 30, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<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	2,489,780	315,678	-	-	2,805,458
Utility system	4,500,641	-	-	2,675,934	7,176,575
Machinery and equipment	829,231	25,320	-	-	854,551
Total	7,846,132	340,998	-	2,675,934	10,863,064
Accumulated depreciation					
Buildings	5,831	530	-	-	6,361
Improvements	201,115	127,224	-	-	328,339
Utility system	637,352	71,902	-	-	709,254
Machinery and equipment	650,197	41,336	-	-	691,533
Total A/D	1,494,495	240,992	-	-	1,735,487
Total capital assets	<u>\$ 6,439,352</u>	<u>\$ 100,006</u>	<u>\$ -</u>	<u>\$ 2,675,934</u>	<u>\$ 9,215,292</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2010 totaled \$240,992.

7. LONG TERM DEBT

During the year-end June 30, 2010, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance 06/30/09	Additions	Reductions	Balance 06/30/10	Due Within One Year
<i>Governmental Funds:</i>					
2001 Lodgers Tax Bond	\$ 1,010,000	\$ -	\$ 25,000	\$ 985,000	\$ 25,000
Hidalgo Medical Center	303,913	-	-	303,913	37,341
Water Fluoride Project	82,052	-	-	82,052	4,222
Water Project NMFA	33,391	-	-	33,391	1,718
Compensated absences	30,135	76,981	77,969	29,147	14,573
Total	<u>\$1,459,491</u>	<u>\$ 76,981</u>	<u>\$ 102,969</u>	<u>\$1,433,503</u>	<u>\$ 82,854</u>

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

	Balance 6/30/09	Additions	Reductions	Balance 06/30/10	Due Within One Year
<i>Proprietary Fund:</i>					
NM Environment Dept	\$ 272,352	\$ -	\$ 26,809	\$ 245,543	\$ 27,613
Compensated absences	<u>15,525</u>	<u>39,657</u>	<u>40,167</u>	<u>15,015</u>	<u>7,507</u>
Total	<u>\$ 287,877</u>	<u>\$ 39,657</u>	<u>\$ 66,976</u>	<u>\$ 260,558</u>	<u>\$ 35,120</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:

Year Ending June 30	Principal	Interest	Total
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	30,000	51,783	81,783
2016-2020	175,000	231,365	406,365
2021-2025	230,000	171,977	401,977
2026-2030	305,000	92,400	397,400
2031-2032	140,000	8,922	148,922
	<u>\$ 985,000</u>	<u>\$ 788,252</u>	<u>\$ 1,773,252</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
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	144,396	5,676	150,072
	<u>\$ 303,913</u>	<u>\$ 14,310</u>	<u>\$ 318,223</u>

Water Fluoride Project

During fiscal year 2010, 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, 2010. 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
2011	\$ 4,222	\$ 205	\$ 4,427
2012	4,233	195	4,428
2013	4,243	184	4,427
2014	4,254	173	4,427
2015	4,264	163	4,427
2016-2017	21,483	653	22,136
2021-2025	21,755	383	22,138
2026-2028	17,598	111	17,709
	<u>\$ 82,052</u>	<u>\$ 2,067</u>	<u>\$ 84,119</u>

Water Project - NMFA

During fiscal year 2010, 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, 2010. 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
2011	\$ 1,718	\$ 83	\$ 1,801
2012	1,722	79	1,801
2013	1,727	75	1,802
2014	1,731	71	1,802
2015	1,735	66	1,801
2016-2020	8,743	266	9,009
2021-2025	8,853	156	9,009
2026-2028	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:

Year Ending June 30	Principal	Interest	Total
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	31,079	3,901	34,980
2016-2018	98,942	5,995	104,937
	<u>\$ 245,543</u>	<u>\$ 34,291</u>	<u>\$ 279,834</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.

Funding Policy - Plan members are required to contribute 7% (ranges from 4.0% 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, 2010, 2009 and 2009 were \$88,023, \$79,224, and \$76,909, 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, 2010.

11. 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.

13. INTERFUND TRANSFERS

The composition of interfund transfers during the year ended June 30, 2010 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 1,150,464
Lodgers Tax	98,102	245,254
Water Line Repair	856,660	-
Fire	5,000	-
Cemetery	35,000	-
Recreation	68,052	-
Special Events	68,300	-
Road	-	156,168
Main Street Improvement	52,134	-
CDBG Water Project 2007	40,901	-
CO-OP 2007 2008	173,486	-
Waste Water Reuse Project	15,480	-
Debt Service	147,152	-
Government Wide - CIP	-	2,675,934
Enterprise funds	<u>2,675,934</u>	<u>8,381</u>
Totals	<u>\$ 4,236,201</u>	<u>\$ 4,236,201</u>

14. 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 \$404,664 as follows:

<u>Fund</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Corrections	\$ 24,500	\$ 45,147	\$ (20,647)
Water Line Repair	<u>1,130,036</u>	<u>1,514,053</u>	<u>(384,017)</u>
Totals	<u>\$ 1,154,536</u>	<u>\$ 1,559,200</u>	<u>\$ (404,664)</u>

15. BUDGETED DEFICIT FUND BALANCE

The following funds budgeted a deficit fund balance as of June 30, 2010:

Recreation	\$ 8,988
Special Events Center	16,602
Main Street Improvement	400,000

16. DEFICIT FUND BALANCE

The following fund had a deficit fund balance as of June 30, 2010:

Special Events Center	\$ 2,834
-----------------------	----------

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

FIRE - To account for the operations and maintenance of the Fire Department which is financed by a specific allotment from the State Fire Marshal's Office. (NMSA 59A-53-1).

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

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

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

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

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

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

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 - 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.

MAIN STREET IMPROVEMENT - To account for ARRA funds to repave Main Street.

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

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

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

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

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, 2010

	Special Revenue Funds	Capital Project Funds	Debt Service 2001 Fund	Total
ASSETS				
Cash and cash equivalents	\$ 169,712	\$ 189,024	\$ 332,089	\$ 690,825
Investment	235,327	-	-	235,327
Accounts receivable	24,755	-	-	24,755
Total assets	<u>\$ 429,794</u>	<u>\$ 189,024</u>	<u>\$ 332,089</u>	<u>\$ 950,907</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 9,401	\$ -	\$ -	\$ 9,401
Accrued salaries	3,506	-	-	3,506
Cash overdraft	16,971	-	-	16,971
Total liabilities	29,878	-	-	29,878
Fund balance:				
Reserved for capital projects funds	-	189,024	-	189,024
Reserved for special revenue funds	399,916	-	-	399,916
Reserved for debt service	-	-	332,089	332,089
Total fund balance	<u>399,916</u>	<u>189,024</u>	<u>332,089</u>	<u>921,029</u>
Total liabilities and fund balances	<u>\$ 429,794</u>	<u>\$ 189,024</u>	<u>\$ 332,089</u>	<u>\$ 950,907</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, 2010

	Special Revenue Funds	Capital Project Funds	Debt Service 2001 Fund	Total
REVENUES				
Local taxes	\$ 60,619	\$ -	\$ -	\$ 60,619
Federal and state grants	-	420,876	-	420,876
State shared taxes	253,030	-	-	253,030
Charges for services	70,906	-	-	70,906
Interest income	228	124	-	352
Miscellaneous income	699	-	-	699
	<u>385,482</u>	<u>421,000</u>	<u>-</u>	<u>806,482</u>
EXPENDITURES				
Current:				
Public safety	101,266	-	-	101,266
Public works	188,438	160,826	-	349,264
Culture and recreation	167,411	-	-	167,411
Health and welfare	48,497	-	-	48,497
Capital outlay	17,950	798,678	-	816,628
Debt Service:				
Principal	-	-	25,000	25,000
Interest	60,619	-	58,745	119,364
	<u>584,181</u>	<u>959,504</u>	<u>83,745</u>	<u>1,627,430</u>
Deficiency of revenues under expenditures	(198,699)	(538,504)	(83,745)	(820,948)
OTHER FINANCING SOURCES (USES)				
Transfers in	176,352	282,001	147,152	605,505
Transfers out	(156,168)	-	-	(156,168)
	<u>20,184</u>	<u>282,001</u>	<u>147,152</u>	<u>449,337</u>
Net change in fund balance	(178,515)	(256,503)	63,407	(371,611)
Fund balance, beginning of year	578,431	445,527	268,682	1,292,640
Fund balance, end of year	<u>\$ 399,916</u>	<u>\$ 189,024</u>	<u>\$ 332,089</u>	<u>\$ 921,029</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, 2010

	Fire	Corrections	Law Enforcement	Cemetery	Recreation	City Income	Special Events Center	Road	Total
ASSETS									
Cash and cash equivalents	\$ 147,002	\$ 2,139	\$ 4,858	\$ 1,564	\$ 14,149	\$ -	\$ -	\$ -	\$ 169,712
Investment	-	-	-	120,178	30,523	-	-	84,626	235,327
Accounts receivable	-	-	-	-	-	-	-	24,755	24,755
Total assets	\$ 147,002	\$ 2,139	\$ 4,858	\$ 121,742	\$ 44,672	\$ -	\$ -	\$ 109,381	\$ 429,794
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable	\$ 1,087	\$ -	\$ 266	\$ 817	\$ 2,860	\$ -	\$ 1,793	\$ 2,578	\$ 9,401
Accrued salaries	-	-	-	521	1,566	-	749	670	3,506
Cash overdraft	-	-	-	-	-	-	292	16,679	16,971
Total liabilities	1,087	-	266	1,338	4,426	-	2,834	19,927	29,878
Fund balance									
Reserved for special revenue funds	145,915	2,139	4,592	120,404	40,246	-	(2,834)	89,454	399,916
Total fund balance	145,915	2,139	4,592	120,404	40,246	-	(2,834)	89,454	399,916
Total liabilities and fund balance	\$ 147,002	\$ 2,139	\$ 4,858	\$ 121,742	\$ 44,672	\$ -	\$ -	\$ 109,381	\$ 429,794

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, 2010

	Fire	Corrections	Law Enforcement	Cemetery	Recreation	City Income	Special Events Center	Road	Total
REVENUES									
Local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,619	\$ -	\$ -	\$ 60,619
State shared taxes	-	-	-	-	2,536	-	14	250,480	253,030
Charges for services	-	47,286	-	7,563	7,105	-	8,952	-	70,906
Interest income	228	-	-	-	-	-	-	-	228
Miscellaneous revenue	-	-	-	-	-	-	-	699	699
Total revenues	228	47,286	-	7,563	9,641	60,619	8,966	251,179	385,482
EXPENDITURES									
Current:									
Public safety	32,086	45,147	24,033	-	-	-	-	-	101,266
Public works	-	-	-	-	-	-	-	188,438	188,438
Culture and recreation	-	-	-	-	71,515	-	95,896	-	167,411
Health and welfare	-	-	-	48,497	-	-	-	-	48,497
Capital outlay	-	-	-	-	-	-	-	17,950	17,950
Debt Service	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	60,619	-	-	60,619
Total expenditures	32,086	45,147	24,033	48,497	71,515	60,619	95,896	206,388	584,181
Excess (deficiency) of revenues over (under) expenditures	(31,858)	2,139	(24,033)	(40,934)	(61,874)	-	(86,930)	44,791	(198,699)
OTHER FINANCING SOURCES (USES)									
Operating transfers in	5,000	-	-	35,000	68,052	-	68,300	-	176,352
Operating transfers out	-	-	-	-	-	-	-	(156,168)	(156,168)
Total other financing source (uses)	5,000	-	-	35,000	68,052	-	68,300	(156,168)	20,184
Net change in fund balance	(26,858)	2,139	(24,033)	(5,934)	6,178	-	(18,630)	(111,377)	(178,515)
Fund balance, beginning of year	172,773	-	28,625	126,338	34,068	-	15,796	200,831	578,431
Fund balance, end of year	\$ 145,915	\$ 2,139	\$ 4,592	\$ 120,404	\$ 40,246	\$ -	\$ (2,834)	\$ 89,454	\$ 399,916

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 77,451	\$ 77,451	\$ -	\$ (77,451)
Interest income	<u>200</u>	<u>200</u>	<u>228</u>	<u>28</u>
Total revenues	77,651	77,651	228	(77,423)
EXPENDITURES:				
Current				
Public safety	<u>178,745</u>	<u>178,745</u>	<u>30,999</u>	<u>147,746</u>
Total expenditures	<u>178,745</u>	<u>178,745</u>	<u>30,999</u>	<u>147,746</u>
Excess (deficiency) of revenues over expenditures	(101,094)	(101,094)	(30,771)	70,323
OTHER FINANCING SOURCES				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net changes in fund balance	(96,094)	(96,094)	(25,771)	70,323
Fund balance - beginning of the year	<u>172,773</u>	<u>172,773</u>	<u>172,773</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 76,679</u>	<u>\$ 76,679</u>	<u>\$ 147,002</u>	<u>\$ 70,323</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (25,771)	
Net expenditure accruals			<u>(1,087)</u>	
Net change in fund balance GAAP basis			<u>\$ (26,858)</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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 24,500	\$ 24,500	\$ 47,286	\$ 22,786
Total revenues	24,500	24,500	47,286	22,786
EXPENDITURES:				
Current				
Public safety	24,500	24,500	45,147	(20,647)
Total expenditures	24,500	24,500	45,147	(20,647)
Net changes in fund balance	-	-	2,139	2,139
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,139</u>	<u>\$ 2,139</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 2,139</u>	
Net change in fund balance GAAP basis			<u>\$ 2,139</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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 26,000	\$ 26,000	\$ -	\$ (26,000)
Total revenues	26,000	26,000	-	(26,000)
EXPENDITURES:				
Current				
Public safety	28,935	28,935	23,767	5,168
Total expenditures	28,935	28,935	23,767	5,168
Net changes in fund balance	(2,935)	(2,935)	(23,767)	(20,832)
Fund balance - beginning of the year	28,625	28,625	28,625	-
Fund balance - end of the year	<u>\$ 25,690</u>	<u>\$ 25,690</u>	<u>\$ 4,858</u>	<u>\$ (20,832)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (23,767)	
Net expenditure accruals			<u>(266)</u>	
Net change in fund balance GAAP basis			<u>\$ (24,033)</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 - CEMETERY
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 13,600	\$ 13,600	\$ 7,563	\$ (6,037)
Total revenues	13,600	13,600	7,563	(6,037)
EXPENDITURES:				
Current				
Health and welfare	75,394	75,394	47,159	28,235
Total expenditures	75,394	75,394	47,159	28,235
Excess (deficiency) of revenues over expenditures	(61,794)	(61,794)	(39,596)	22,198
OTHER FINANCING SOURCES				
Transfers in	35,000	35,000	35,000	-
Total other financing sources	35,000	35,000	35,000	-
Net changes in fund balance	(26,794)	(26,794)	(4,596)	22,198
Fund balance - beginning of the year, as restated	126,338	126,338	126,338	-
Fund balance - end of the year	<u>\$ 99,544</u>	<u>\$ 99,544</u>	<u>\$ 121,742</u>	<u>\$ 22,198</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (4,596)	
Net expenditure accruals			<u>(1,338)</u>	
Net change in fund balance GAAP basis			<u>\$ (5,934)</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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 4,030	\$ 4,030	\$ 2,536	\$ (1,494)
Charges for services	6,508	6,508	7,105	597
Interest income	500	500	-	(500)
Total revenues	11,038	11,038	9,641	(1,397)
EXPENDITURES:				
Current				
Culture and recreation	121,146	121,146	67,089	54,057
Total expenditures	121,146	121,146	67,089	54,057
Excess (deficiency) of revenues over expenditures	(110,108)	(110,108)	(57,448)	52,660
OTHER FINANCING SOURCES				
Transfers in	67,052	67,052	68,052	1,000
Total other financing sources	67,052	67,052	68,052	1,000
Net changes in fund balance	(43,056)	(43,056)	10,604	53,660
Fund balance - beginning of the year, as restated	34,068	34,068	34,068	-
Fund balance - end of the year	\$ (8,988)	\$ (8,988)	\$ 44,672	\$ 53,660
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 10,604	
Net expenditure accruals			(4,426)	
Net change in fund balance GAAP basis			\$ 6,178	

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ 71,360	\$ 71,360	\$ 60,619	\$ (10,741)
Total revenues	71,360	71,360	60,619	(10,741)
EXPENDITURES:				
Debt service				
Principal	71,360	71,360	60,619	10,741
Total expenditures	71,360	71,360	60,619	10,741
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 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 - SPECIAL EVENTS CENTER
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 1,197	\$ 1,197	\$ 14	\$ (1,183)
Charges for services	<u>24,325</u>	<u>24,325</u>	<u>8,952</u>	<u>(15,373)</u>
Total revenues	25,522	25,522	8,966	(16,556)
EXPENDITURES:				
Current				
Culture and recreation	<u>124,220</u>	<u>124,220</u>	<u>93,354</u>	<u>30,866</u>
Total expenditures	<u>124,220</u>	<u>124,220</u>	<u>93,354</u>	<u>30,866</u>
Excess (deficiency) of revenues over expenditures	(98,698)	(98,698)	(84,388)	14,310
OTHER FINANCING SOURCES				
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	(32,398)	(32,398)	(16,088)	16,310
Fund balance - beginning of the year	<u>15,796</u>	<u>15,796</u>	<u>15,796</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (16,602)</u>	<u>\$ (16,602)</u>	<u>\$ (292)</u>	<u>\$ 16,310</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (16,088)	
Net expenditure accruals			<u>(2,542)</u>	
Net change in fund balance GAAP basis			<u>\$ (18,630)</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 - ROAD
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 275,706	\$ 275,706	\$ 225,725	\$ (49,981)
Miscellaneous revenue	-	-	699	699
Total revenues	275,706	275,706	226,424	(49,282)
EXPENDITURES:				
Current				
Public works	272,638	272,638	185,190	87,448
Capital outlay	-	-	17,950	(17,950)
Total expenditures	272,638	272,638	203,140	69,498
Excess of revenues over expenditures	3,068	3,068	23,284	20,216
OTHER FINANCING USES				
Transfers in	206,564	206,564	-	(206,564)
Transfers out	-	-	(156,168)	(156,168)
Total other financing uses	206,564	206,564	(156,168)	(362,732)
Net changes in fund balance	209,632	209,632	(132,884)	(342,516)
Fund balance - beginning of the year, as restated	200,831	200,831	200,831	-
Fund balance - end of the year	\$ 410,463	\$ 410,463	\$ 67,947	\$ (342,516)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (132,884)	
Net revenue accruals			24,755	
Net expenditure accruals			(3,248)	
Net change in fund balance GAAP basis			\$ (111,377)	

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, 2010

	Swimming Pool	Main Street Improvement	CDBG Water Project 2007	2007 - 2008 Co-Op	Waste Water Reuse Project	Water Fluoride	Total
ASSETS							
Cash and cash equivalents	\$ 99,821	\$ 21,357	\$ 2,218	\$ 33,355	\$ 17,635	\$ 14,638	\$ 189,024
Total assets	\$ 99,821	\$ 21,357	\$ 2,218	\$ 33,355	\$ 17,635	\$ 14,638	\$ 189,024
LIABILITIES AND FUND BALANCE							
Fund balance:							
Reserved for capital projects	\$ 99,821	\$ 21,357	\$ 2,218	\$ 33,355	\$ 17,635	\$ 14,638	\$ 189,024
Total liabilities and fund balance	\$ 99,821	\$ 21,357	\$ 2,218	\$ 33,355	\$ 17,635	\$ 14,638	\$ 189,024

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, 2010

	Swimming Pool	Main Street Improvement	CDBG Water Project 2007	2007 - 2008 Co-Op	Waste Water Reuse Project	Water Fluoride	Total
REVENUES							
Federal and state grants	\$ -	\$ 25,636	\$ -	\$ 145,974	\$ 162,981	\$ 86,285	\$ 420,876
Interest income	124	-	-	-	-	-	124
Total revenues	124	25,636	-	145,974	162,981	86,285	421,000
EXPENDITURES							
Public works	-	-	-	-	160,826	-	160,826
Capital outlay	-	56,413	39,243	286,105	-	416,917	798,678
Total expenditures	-	56,413	39,243	286,105	160,826	416,917	959,504
Excess (deficiency) of revenues over (under) expenditures	124	(30,777)	(39,243)	(140,131)	2,155	(330,632)	(538,504)
OTHER FINANCING SOURCES							
Operating transfers in	-	52,134	40,901	173,486	15,480	-	282,001
Total other financing sources	-	52,134	40,901	173,486	15,480	-	282,001
Net change in fund balance	124	21,357	1,658	33,355	17,635	(330,632)	(256,503)
Fund balance, beginning of year	99,697	-	560	-	-	345,270	445,527
Fund balance, end of year	\$ 99,821	\$ 21,357	\$ 2,218	\$ 33,355	\$ 17,635	\$ 14,638	\$ 189,024

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
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest income	\$ 1,500	\$ 1,500	\$ 124	\$ (1,376)
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>124</u>	<u>(1,376)</u>
Net changes in fund balance	1,500	1,500	124	(1,376)
Fund balance - beginning of the year	<u>99,697</u>	<u>99,697</u>	<u>99,697</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 101,197</u>	<u>\$ 101,197</u>	<u>\$ 99,821</u>	<u>\$ (1,376)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 124</u>	
Net change in fund balance GAAP basis			<u>\$ 124</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 - MAIN STREET IMPROVEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ -	\$ -	\$ 25,636	\$ 25,636
Total revenues	-	-	25,636	25,636
EXPENDITURES:				
Capital outlay	460,000	460,000	56,413	403,587
Total expenditures	460,000	460,000	56,413	403,587
Excess (deficiency) of revenues over expenditures	(460,000)	(460,000)	(30,777)	429,223
OTHER FINANCING SOURCES				
Transfers in	60,000	60,000	52,134	(7,866)
Total other financing sources	60,000	60,000	52,134	(7,866)
Net changes in fund balance	(400,000)	(400,000)	21,357	421,357
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ (400,000)	\$ (400,000)	\$ 21,357	\$ 421,357
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 21,357	
Net change in fund balance GAAP basis			\$ 21,357	

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 700,000	\$ 700,000	\$ -	\$ (700,000)
Total revenues	700,000	700,000	-	(700,000)
EXPENDITURES:				
Capital outlay	750,000	750,000	39,243	710,757
Total expenditures	750,000	750,000	39,243	710,757
Excess (deficiency) of revenues over expenditures	(50,000)	(50,000)	(39,243)	10,757
OTHER FINANCING SOURCES				
Transfers in	50,000	50,000	40,901	(9,099)
Total other financing sources	50,000	50,000	40,901	(9,099)
Net changes in fund balance	-	-	1,658	1,658
Fund balance - beginning of the year	560	560	560	-
Fund balance - end of the year	\$ 560	\$ 560	\$ 2,218	\$ 1,658
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 1,658	
Net change in fund balance GAAP basis			\$ 1,658	

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, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 346,250	\$ 346,250	\$ 145,974	\$ (200,276)
Total revenues	346,250	346,250	145,974	(200,276)
EXPENDITURES:				
Capital outlay	519,572	519,572	286,105	233,467
Total expenditures	519,572	519,572	286,105	233,467
Deficiency of revenues over expenditures	(173,322)	(173,322)	(140,131)	33,191
OTHER FINANCING SOURCES				
Transfers in	242,822	242,822	173,486	(69,336)
Total other financing sources	242,822	242,822	173,486	(69,336)
Net changes in fund balance	69,500	69,500	33,355	(36,145)
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	<u>\$ 69,500</u>	<u>\$ 69,500</u>	<u>\$ 33,355</u>	<u>\$ (36,145)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 33,355</u>	
Net change in fund balance GAAP basis			<u>\$ 33,355</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 - WASTE WATER REUSE PROJECT
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 2,381,000	\$ 2,381,000	\$ 162,981	\$ (2,218,019)
Total revenues	2,381,000	2,381,000	162,981	(2,218,019)
EXPENDITURES:				
Current				
Public works	2,381,000	2,381,000	160,826	2,220,174
Total expenditures	2,381,000	2,381,000	160,826	2,220,174
Excess of revenues over expenditures	-	-	2,155	2,155
OTHER FINANCING SOURCES				
Transfers in	-	-	15,480	15,480
Total other financing sources	-	-	15,480	15,480
Net changes in fund balance	-	-	17,635	17,635
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ 17,635	\$ 17,635
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 17,635	
Net change in fund balance GAAP basis			\$ 17,635	

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 827,526	\$ 827,526	\$ 86,285	\$ (741,241)
Total revenues	827,526	827,526	86,285	(741,241)
EXPENDITURES:				
Capital outlay	827,526	827,526	416,917	410,609
Total expenditures	827,526	827,526	416,917	410,609
Net changes in fund balance	-	-	(330,632)	(330,632)
Fund balance - beginning of the year	345,270	345,270	345,270	-
Fund balance - end of the year	\$ 345,270	\$ 345,270	\$ 14,638	\$ (330,632)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (330,632)	
Net change in fund balance GAAP basis			\$ (330,632)	

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, 2010

	<u>Debt Service 2001</u>
ASSETS	
Cash and cash equivalents	\$ <u>332,089</u>
Total assets	\$ <u>332,089</u>
LIABILITIES AND FUND BALANCE	
Fund balance:	
Reserved for debt service	\$ <u>332,089</u>
Total liabilities and fund balance	\$ <u>332,089</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, 2010

	<u>Debt Service 2001</u>
EXPENDITURES	
Debt Service:	
Principal	\$ 25,000
Interest	<u>58,745</u>
Total expenditures	<u>83,745</u>
Deficiency of revenues under expenditures	(83,745)
OTHER FINANCING SOURCES	
Operating transfers in	<u>147,152</u>
Total other financing sources	<u>147,152</u>
Net change in fund balance	63,407
Fund balance, beginning of year	<u>268,682</u>
Fund balance, end of year	<u>\$ 332,089</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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Debt service				
Principal	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Interest	<u>58,765</u>	<u>58,765</u>	<u>58,745</u>	<u>20</u>
Total expenditures	<u>83,765</u>	<u>83,765</u>	<u>83,745</u>	<u>20</u>
Excess (deficiency) of revenues over expenditures	(83,765)	(83,765)	(83,745)	20
OTHER FINANCING SOURCES				
Transfers in	<u>147,152</u>	<u>147,152</u>	<u>147,152</u>	<u>-</u>
Total other financing sources	<u>147,152</u>	<u>147,152</u>	<u>147,152</u>	<u>-</u>
Net changes in fund balance	63,387	63,387	63,407	20
Fund balance - beginning of the year	<u>-</u>	<u>-</u>	<u>268,682</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 63,387</u>	<u>\$ 63,387</u>	<u>\$ 332,089</u>	<u>\$ 20</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 63,407</u>	
Net change in fund balance GAAP basis			<u>\$ 63,407</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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 566,603	\$ 566,603	\$ 566,602	\$ (1)
Total revenues	566,603	566,603	566,602	(1)
EXPENDITURES:				
Capital outlay	1,130,036	1,130,036	1,514,053	(384,017)
Total expenditures	1,130,036	1,130,036	1,514,053	(384,017)
Deficiency of revenues over expenditures	(563,433)	(563,433)	(947,451)	(384,018)
OTHER FINANCING SOURCES				
Transfers in	857,000	857,000	856,660	(340)
Total other financing sources	857,000	857,000	856,660	(340)
Net changes in fund balance	293,567	293,567	(90,791)	(384,358)
Fund balance - beginning of the year	90,791	90,791	90,791	-
Fund balance - end of the year	\$ 384,358	\$ 384,358	\$ -	\$ (384,358)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (90,791)	
Net change in fund balance GAAP basis			\$ (90,791)	

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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 2,140,699	\$ 2,140,699	\$ 1,616,472	\$ (524,227)
State shared taxes	147,042	147,042	177,805	30,763
Interest income	4,560	4,560	355	(4,205)
Grants	-	-	271,015	271,015
Miscellaneous income	-	-	13,213	13,213
Total revenues	2,292,301	2,292,301	2,078,860	(213,441)
EXPENDITURES:				
Personnel services	593,056	593,056	457,220	135,836
Other operating expenses	1,894,118	1,894,118	1,236,854	657,264
Total expenditures	2,487,174	2,487,174	1,694,074	793,100
Excess (deficiency) of revenues over expenditures	(194,873)	(194,873)	384,786	579,659
OTHER FINANCING SOURCES (USES)				
Transfers in	102,682	102,682	2,675,934	2,573,252
Transfers out	(286,794)	(286,794)	(8,381)	278,413
Total other financing sources (uses)	(184,112)	(184,112)	2,667,553	2,851,665
Net changes in fund balance	(378,985)	(378,985)	3,052,339	3,431,324
Fund balance - beginning of the year	8,495,445	8,495,445	8,495,445	-
Fund balance - end of the year	<u>\$ 8,116,460</u>	<u>\$ 8,116,460</u>	<u>\$ 11,547,784</u>	<u>\$ 3,431,324</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 3,052,339	
Net revenue accruals			491,270	
Net expenditure accruals			(45,052)	
Depreciation expense			(240,992)	
Net change in fund balance GAAP basis			<u>\$ 3,257,565</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, 2010**

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Western Bank					
General - Operating	CK	\$ 520,795	\$ -	\$ 116,750	\$ 404,045
Street Parking Project	CK	4	-	4	-
Solid Waste Reserve	CK	15,497	500	8,864	7,133
Water and Sewer Improvements	CK	3,703	-	-	3,703
Legislative Gas	CK	13,681	-	12,081	1,600
CDBG Water Project	CK	568	1,650	-	2,218
2007-2008 COOP	CK	33,355	-	-	33,355
Debt Service	CK	331,397	-	-	331,397
Water Fluoride	CK	10,925	-	-	10,925
USDA Water Reuse Project	CK	17,635	-	-	17,635
NADB Fluoride Project	CK	10	-	-	10
Bond Account	CK	638	-	638	-
Debt Service	CK	693	-	-	693
Overnight Account	MM	3,090,580	-	-	3,090,580
CD	CD	99,821	-	-	99,821
CD	CD	489,489	-	-	489,489
Total		<u>\$ 4,628,791</u>	<u>\$ 2,150</u>	<u>\$ 138,337</u>	<u>\$ 4,492,604</u>
Reconciliation to Government Wide					
Cash					\$ 889,736
Investments					3,580,070
Restricted Cash					58,075
Cash Overdraft					<u>(35,277)</u>
Total					<u>\$ 4,492,604</u>

Type:
CK= Checking
MM= Money Market
CD= Certificate of Deposit

Western Bank	
Amount held in bank June 30, 2010	\$ 4,628,791
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	4,378,791
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	2,189,396
Pledged Securities	<u>2,155,982</u>
Over (Under) Collateralized	<u>\$ (33,414)</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, 2010**

Description of Pledged Collateral	Amount	Name and Location
Dulce NM, CUSIP#264430HA0, Maturing 9/1/2016	\$ 366,111	Federal Home Loan Bank of Dallas
Roswell NM, CUSIP#778544CC8, Maturing 8/1/2013	401,164	Federal Home Loan Bank of Dallas
FHLMC 2561 AK, CUSIP#31393JVZ8, Maturing 6/15/2016	42,355	Federal Home Loan Bank of Dallas
FNMA, CUSIP#31394V3D0, Maturing 12/25/2033	184,948	Federal Home Loan Bank of Dallas
FHLMC ARM Pool, CUSIP#31346VH28, Maturing 7/1/2030	250,679	Federal Home Loan Bank of Dallas
FNMA 2002-74 PE, CUSIP# 31392FPP6, Maturing 3/15/2023	<u>910,725</u>	Federal Home Loan Bank of Dallas
Total pledged securities	<u>\$ 2,155,982</u>	

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

**CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE
JUNE 30, 2010**

Account No.		Rent 14.850	CFP 14.872	Total
Assets:				
Current assets:				
111	Cash-unrestricted	\$ 379,173	\$ -	\$ 379,173
114	Cash-tenant security deposits	13,742	-	13,742
100	Total cash	392,915	-	392,915
Accounts receivable:				
126	Tenants	1,499	-	1,499
142	Prepaid expense and other assets	-	-	-
144	Inter-Program due from	-	20,909	20,909
150	Total current assets	394,414	20,909	415,323
Fixed assets:				
161	Land	100,000	-	100,000
162	Building and improvements	2,450,758	-	2,450,758
164	Furniture, equipment & machinery	122,910	-	122,910
165	Leasehold improvements	2,022,509	-	2,022,509
166	Accumulated depreciation	(2,702,838)	-	(2,702,838)
160	Total fixed assets, net	1,993,339	-	1,993,339
180	Total non-current assets	1,993,339	-	1,993,339
190	Total assets	<u>\$ 2,387,753</u>	<u>\$ 20,909</u>	<u>\$ 2,408,662</u>
Liabilities and fund equity:				
Current liabilities:				
312	Accounts payable <= 90 days	\$ 42,405	\$ -	\$ 42,405
322	Accrued comp. absences -current portion	5,462	-	5,462
333	Accounts payable - other government	15,362	-	15,362
347	Inter-program due to	20,909	-	20,909
Liabilities payable from restricted assets:				
341	Tenant security deposits	14,800	-	14,800
310	Total current liabilities	98,938	-	98,938
300	Total liabilities	98,938	-	98,938
Net assets:				
508.1	Invested in capital assets, net of rel. debt	1,993,339	-	1,993,339
511.1	Restricted net assets	-	20,909	20,909
512.1	Unrestricted net assets	295,476	-	295,476
513	Total net assets	2,288,815	20,909	2,309,724
600	Total liabilities and net assets	<u>\$ 2,387,753</u>	<u>\$ 20,909</u>	<u>\$ 2,408,662</u>

**CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE
JUNE 30, 2010**

Account No.	Low Rent 14.850	CFP 14.872	Total
Revenue			
703	\$ 263,844	\$ -	\$ 263,844
705	263,844	-	263,844
706	244,917	-	244,917
706.1	5,612	230,974	236,586
711	1,191	-	1,191
715	7,349	-	7,349
700	<u>522,913</u>	<u>230,974</u>	<u>753,887</u>
Expenses			
911	172,676	-	172,676
912	2,477	-	2,477
915	24,734	-	24,734
910	183,410	-	183,410
931	44,263	-	44,263
932	7,160	-	7,160
933	44,978	-	44,978
942	46,681	-	46,681
961	33,687	-	33,687
969	<u>560,066</u>	<u>-</u>	<u>560,066</u>
970	(37,153)	230,974	193,821
974	<u>134,304</u>	<u>-</u>	<u>134,304</u>
900	<u>694,370</u>	<u>-</u>	<u>694,370</u>
100.1	230,974	-	230,974
100.2	-	(230,974)	(230,974)
101	<u>230,974</u>	<u>(230,974)</u>	<u>-</u>
100	59,517	-	59,517
110.3	<u>2,229,298</u>	<u>20,909</u>	<u>2,250,207</u>
	<u>\$ 2,288,815</u>	<u>\$ 20,909</u>	<u>\$ 2,309,724</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**JOINT POWERS AGREEMENTS
JUNE 30, 2010**

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.

COMPLIANCE SECTION



WHITE+
SAMANIEGO+
CAMPBELL, LLP

CERTIFIED PUBLIC ACCOUNTANTS

416 North Station
Suite 600
El Paso, Tx 79901
ph. 915.532.8400
fax. 915.532.8405
www.cpawsc.com

**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, 2010, and have issued our report thereon dated January 31, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 07-01, 09-02, and 10-01.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 09-01, 09-04, 09-05, and 10-02.

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.

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

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

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

El Paso, Texas
January 31, 2011

White + Samaniego + Campbell, LLP

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

PRIOR YEAR FINDINGS:

06-02 Allowance for Doubtful Accounts	Resolved
06-03 Customer Security Deposits	Resolved
06-05 Failure to Submit Report Package to Federal Clearing Audit	Resolved
07-01 Failure to Apply GAAP	Repeated
07-02 Completion of Audit Report	Repeated
07-04 Budget	Repeated
09-01 Per Diem	Resolved
09-02 Violation of Federal Labor Standards Act	Resolved
09-03 Pledge Collateral	Repeated
09-04 Journal Entry Testwork	Repeated
09-05 Cash Deposits	Repeated
09-06 Restatement	Resolved

Component Unit:

07-04 Completion of Audit Report	Repeated
09-01 Payroll Documents	Repeated
09-02 Tenant Deposits	Repeated

STATE OF NEW MEXICO
CITY OF LORDSBURG

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

PRIMARY GOVERNMENT:

Failure to Apply GAAP (07-01)

CONDITION	The City did not maintain adequate accounting records in accordance with accounting principles generally accepted in the United States of America and could not provide complete, accurate, and timely information.
CRITERIA	Key employees or management should be trained in GAAP principles in recording the City's financial transactions and in preparing its financial statements (Subsection H, 2.2.2.8 NMAC; SAS 112)
CAUSE	Key employees were not trained to be able to apply GAAP principles in recording the preparing the City's financial statements.
EFFECT	The key employees were not able to apply GAAP principles when recording transactions and in preparing the City's financial statements. Due to this problem the employees could not provide complete, accurate, and timely information.
RECOMMENDATION	We suggest that management ensure that all employees receive training in applying generally accepted accounting principles when recording daily transactions.
RESPONSE	The chief financial officer is in the process of developing the system that provides the information for the financial statements on a GAAP basis.

Completion of Audit Report (07-02)

CONDITION	The audit report was not completed and forwarded to the New Mexico State Auditor by the due date on December 1, 2010. It was submitted in February 2012.
CRITERIA	As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by December 1, 2010.
CAUSE	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 FY2010 audit was submitted in January 2012.
EFFECT	Violation of the State Auditor's Rule SAO 2.2.2.9, A (4). Audited financial information is not available for the City to use and distribute as necessary.
RECOMMENDATION	The City 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.
RESPONSE	The City will work closer with the independent auditor to be sure that future audits will be filed on a timely basis.

Budget (07-04)

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 three funds.

<u>Fund</u>	<u>Budgeted Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Corrections	\$ 24,500	45,147	(20,647)
Water Line Repair	1,130,036	1,514,053	(384,017)

<u>Fund</u>	<u>Budgeted Deficit</u>
Recreation	\$ 8,988
Special Events Center	16,602
Main Street Improvement	400,000

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.

Pledged Collateral (09-03)

CONDITION 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 \$33,414.

CRITERIA According to NMSA 1978 Section 6-10-17, at least one half of total uninsured deposits in banks should be pledged.

CAUSE The City did not ensure that the amount pledged covers more than one half of uninsured City funds in the bank.

EFFECT Bank accounts are under pledged by \$33,414.

RECOMMENDATION The City should ensure that the City funds are pledged for over one half of uninsured total deposits in the bank.

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

Journal Entry Testwork (09-04)

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

Cash Deposits (09-05)

CONDITION	Several bank accounts in the name of the City are not declared as public funds with the bank.
CRITERIA	According to NMSA 1978 Section 6-4-2, all monies coming into all agencies shall be considered public monies and be accounted as such.
CAUSE	The City did not include several bank accounts as public monies.
EFFECT	Several of the City's bank accounts are not accounted as public monies..
RECOMMENDATION	The City should account for all bank accounts used by the City and its department as public funds.
RESPONSE	The City's management will adhere to auditors' recommendation.

Lodger's Tax (10-01)

CONDITION	The City of Lordsburg did not collect lodgers tax from all the lodging establishments during the fiscal year 2010 and did not perform audits to ensure amounts were properly taxed. In addition, during our testwork it was noted that several times during the year the establishments submitted the wrong percentage as required by the City.
CRITERIA	According to NMSA 1978 Section 3-38-13 to 3-38-24, municipalities may asses an occupancy tax up to 5% of revenues to lodging establishments by ordinance. The City is also responsible for performing audits on these establishments and an advisory board must be created.
CAUSE	The City did not receive several months of lodgers tax from several lodging establishments during the year 2010 and the City did not perform any activities to ensure the amounts were correctly reported and did not implement any procedures to collect the proper amounts from all the establishments.
EFFECT	The City's lodgers revenue decreased during 2010 and it was not due to a decrease in economic activity but to the lack of controls to ensure the City collected the appropriate portion of lodgers tax.
RECOMMENDATION	We recommend the City implements an advisory board to monitor lodgers tax activity and ensure the City is collecting the proper amount of taxes.
RESPONSE	The City is currently implementing procedures to ensure they collect the correct amount of lodgers tax.

Payroll Documents (10-02)

CONDITION	During the course of the audit, we noted various errors in payroll procedures. Of the fifteen timesheets tested, there were six instances where the total number of hours paid did not agree to the total number of hours per timesheet tested and all five of the total did not show any type of approval from the department head.
CRITERIA	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.
CAUSE	Management did not ensure that the number of hours worked agreed to total number of hours paid or that timesheets were signed by employees and that timesheets were approved by department heads.
EFFECT	The City of Lordsburg may have overpaid/underpaid its employees.
RECOMMENDATION	We recommend that management closely review the timesheets and compare them to the payroll summary as well as implementing controls to ensure every timesheet is approved by the department's head.
RESPONSE	Management is implementing procedures to correct this finding.

Component Unit:

Completion of Audit Report (07-04)

CONDITION	The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner.
CRITERIA	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, 2010.
CAUSE	The audit was not submitted to the Housing Authority until January 2012.
EFFECT	Violation of the State Auditor's Rule. Audited financial information is not available for the Housing Authority to use and distribute as necessary.
RECOMMENDATION	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.
RESPONSE	The Lordsburg Public Housing Authority is implementing procedures to provide sufficient information to auditors to finish the audit on time.

Payroll Documents (09-01)

CONDITION	During the course of the audit, we noted various errors in payroll procedures. Timesheets were tested and there were instances where the total number of hours paid did not agree to the total number of hours per timesheet tested and some of them were not signed by the supervisor.
CRITERIA	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.
CAUSE	Management did not ensure that the number of hours worked agreed to total number of hours paid or that timesheets were signed by supervisors.
EFFECT	The Lordsburg Public Housing Authority may have overpaid/underpaid its employees.
RECOMMENDATION	We recommend that management closely review the timesheets and compare them to the payroll summary.
RESPONSE	Management will implement procedures to make sure timesheets agree with hours worked and are approved by supervisors.

Tenant Deposits (09-02)

CONDITION	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 \$14,800 but a cash balance of \$13,742 in the tenant security deposits account leaving a balance of \$1,058 not covered by cash on hand.
CRITERIA	The Housing Authority did not maintain cash balances at a level above their tenant deposits at June 30, 2010 in the Low Income Housing Program.
CAUSE	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.
EFFECT	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.
RECOMMENDATION	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.
RESPONSE	Management will implement procedures to correct this finding.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2010**

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

City of Lordsburg

Frank Rodriguez
Theodoro Castillo

Mayor
Finance Officer

White + Samaniego + Campbell, LLP

Cynthia Morales

Auditor

FINANCIAL STATEMENT PREPARATION

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.