

**State of New Mexico
City of Lordsburg**

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2011
and Independent Auditors' Report**

STATE OF NEW MEXICO
CITY OF LORDSBURG

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**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**OFFICIAL ROSTER
JUNE 30, 2011**

**CITY OF LORDSBURG
ELECTED OFFICIALS FY2011**

Frank M. Rodriguez	Mayor
Dana Arredondo	Mayor Pro Tem
Eddie Esquivel	Councilor
Alex De La Garza	Councilor
Elias H Ruiz	Councilor
Ernesto Gallegos	Councilor
Manuel Saucedo	Councilor

**CITY OF LORDSBURG
DEPARTMENT HEADS FY2011**

Belinda Chavez	City Clerk
Theodore Castillo	Finance Officer
Robert Hall	Sheriff
James Hall	Judge

**LORDSBURG PUBLIC HOUSING AUTHORITY
BOARD OF COMMISSIONERS FY2011**

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 Arredondo	Commissioner

**LORDSBURG PUBLIC HOUSING AUTHORITY
OFFICIALS FY2011**

Robert Arvizo	Executive Director
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Lordsburg, as of and for the year ended June 30, 2011, 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 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, 2011, 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, 2011, 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, 2011, 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 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 June 6, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the budgetary comparisons. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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
June 6, 2012

STATE OF NEW MEXICO
CITY OF LORDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011. 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 \$26,163,356 (net assets). Of this amount, \$4,984,690 (unrestricted net assets) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net assets increased by \$3,552,478 during the fiscal year. During 2011 the City received more revenue than in 2010 and was able to spend less than received during the year.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$2,664,894. Of this total, \$955,445 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 \$1,626,091.

Overview of the Financial Statements

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

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 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 30 to 47 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

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 \$26,163,356 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 \$20,139,863 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 \$4,984,690 may be used to meet the government's ongoing obligations to citizens and creditors.

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

Analysis of Changes in Net Assets

During the current fiscal year, the City's net assets in governmental and business-type activities increased by \$3,552,478. These increases are explained in the governmental activities discussion.

Governmental Activities

Governmental activities increased the City's net assets by \$1,902,402. Grant revenue increased \$1,752,425 over grant revenue in the prior year. Property taxes, gross receipts taxes and other taxes contributed \$2,210,425 for covering the \$3,093,070 program expense associated with governmental activities during FY2011.

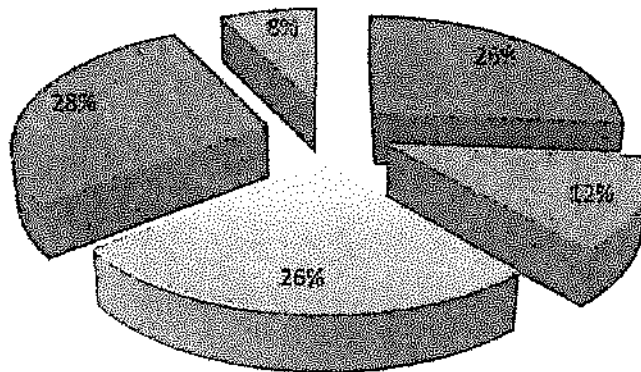
Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The total revenues increased \$1,670,831 due to an increase in economic activity.

Business-Type Activities

Business-type activities increased the City's net assets by \$1,650,076 after transfers of \$1,075,026 in from the general fund, compared to the prior year's increase of \$3,257,565 after transfers of \$2,667,553 to the general fund. The key element of this decrease compared to the prior year change was a decrease in charges for services and a decrease of transfers during the current year.

Total revenues from governmental and business-type activities are summarized below. For fiscal year 2011-2010, Local and State taxes made up 28% of the total general government revenues compared to 32% of the revenues in the prior year.

**Total Revenue By Activity
2011**



- Charges for services
- Operating Grants and Contributions
- Capital Grants and Contributions
- Local and State Taxes

STATE OF NEW MEXICO
CITY OF LORDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS
SUMMARY OF NET ASSETS

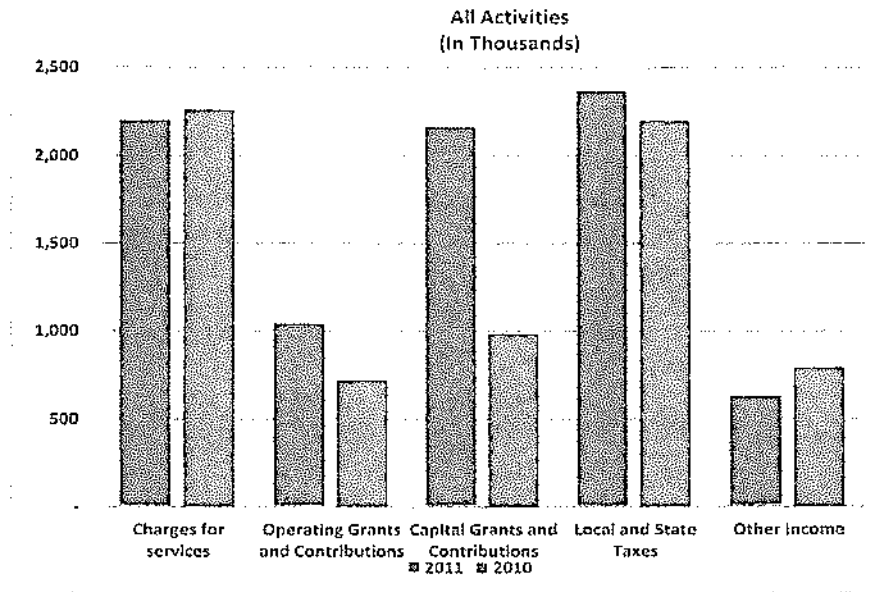
	Governmental Activities			Business-Type Activities			Total		Total Percentage Change 11-10	Component Unit	
	2011	2010	2011	2010	2011	2010	2010	2010		2011	2010
ASSETS											
Current and other assets	\$ 2,774,967	\$ 2,380,130	\$ 3,372,097	\$ 2,865,618	\$ 6,147,064	\$ 5,245,748			0.17 %	\$ 384,578	\$ 380,672
Non current assets	-	-	140,357	58,075	140,357	58,075			1.42 %	24,999	13,742
Capital assets, net of accumulated depreciation	10,840,017	10,079,524	10,262,417	9,215,292	21,102,434	19,294,816			0.09 %	2,187,071	1,993,339
Total assets	\$13,614,984	\$12,459,654	\$13,774,871	\$12,138,985	\$27,389,855	\$24,598,639			0.11 %	\$ 2,596,648	\$ 2,387,753
LIABILITIES											
Current and other liabilities	\$ 167,738	\$ 251,137	\$ 87,773	\$ 80,172	\$ 255,511	\$ 331,309			(0.23)%	\$ 64,804	\$ 78,029
Long-term liabilities	686,976	1,350,649	284,012	305,803	970,988	1,656,452			(0.41)%	-	-
Total liabilities	854,714	1,601,786	371,785	385,975	1,226,499	1,987,761			(0.38)%	64,804	78,029
NET ASSETS											
Invested in capital assets, net of related debt	10,095,376	8,675,168	10,044,487	8,969,749	20,139,863	17,644,917			0.14 %	2,187,071	1,993,339
Restricted	1,038,803	921,029	-	-	1,038,803	921,029			0.13 %	20,909	20,909
Unrestricted	1,626,091	1,261,671	3,358,599	2,783,261	4,984,690	4,044,932			0.23 %	323,864	295,476
Total net assets	12,760,270	10,857,868	13,403,086	11,753,010	26,163,356	22,610,878			0.16 %	2,531,844	2,309,724
Total liabilities and net assets	\$13,614,984	\$12,459,654	\$13,774,871	\$12,138,985	\$27,389,855	\$24,598,639			0.11 %	\$ 2,596,648	\$ 2,387,753

STATE OF NEW MEXICO
CITY OF LORDSBURG

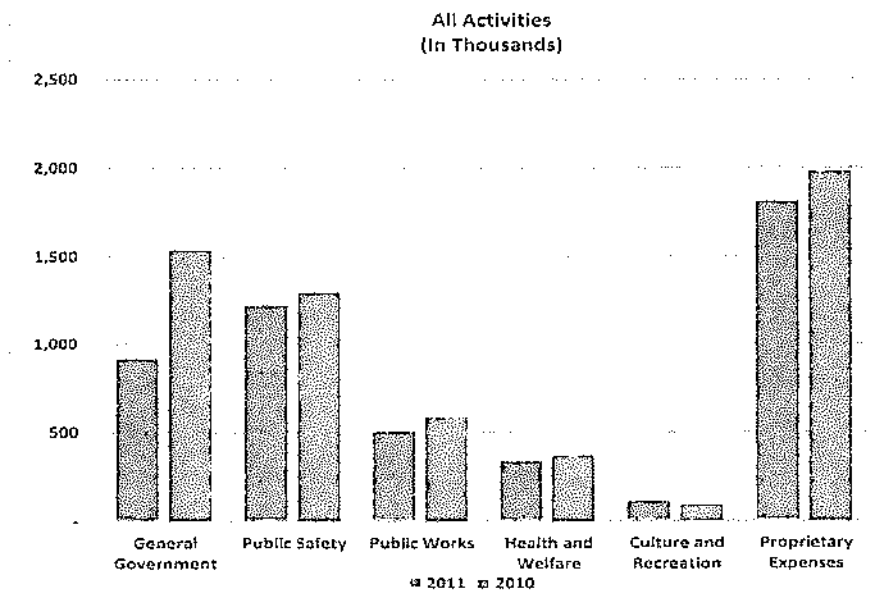
MANAGEMENT'S DISCUSSION AND ANALYSIS
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change		Component Unit	
	2011	2010	2011	2010	2011	2010	2011-2010	2010	2011	2010
REVENUES										
Program revenue:										
Charges for services	\$ 123,821	\$ 153,908	\$ 2,074,008	\$ 2,107,742	\$ 2,197,829	\$ 2,261,650	(0.03)%	\$ 273,163	\$ 263,844	
Operating grant and contributions	1,031,923	452,948	7,800	271,015	1,039,723	723,963	0.44 %	194,795	244,917	
Capital grants and contributions	2,160,928	987,478	-	-	2,160,928	987,478	1.19 %	341,304	236,586	
General revenues:										
Taxes	2,210,425	2,023,365	153,838	177,805	2,364,263	2,201,170	0.07 %	-	-	
Other income	543,401	781,968	82,439	13,568	625,840	795,536	(0.21)%	2,883	8,540	
Total revenues	6,070,498	4,399,667	2,318,085	2,570,130	8,388,583	6,969,797	0.20 %	812,145	753,887	
EXPENSES										
General government	929,849	1,541,208	-	-	929,849	1,541,208	(0.40)	630,195	694,370	
Public safety	1,218,821	1,297,120	-	-	1,218,821	1,297,120	(0.06)%	-	-	
Public works	499,991	589,661	-	-	499,991	589,661	(0.15)%	-	-	
Health and welfare	334,921	373,391	-	-	334,921	373,391	(0.10)%	-	-	
Cultural and recreation	109,488	95,824	-	-	109,488	95,824	0.14 %	-	-	
Proprietary expenses	-	-	1,743,035	1,980,118	1,743,035	1,980,118	(0.12)%	-	-	
Total expenses	3,093,070	3,897,204	1,743,035	1,980,118	4,836,105	5,877,322	(0.18)%	630,195	694,370	
Changes in net assets before transfers	2,977,428	502,463	575,050	590,012	3,552,478	1,092,475	2.25 %	181,950	59,517	
Transfers	(1,075,026)	(2,667,553)	1,075,026	2,667,553	-	-	- %	-	-	
Extraordinary gain	-	-	-	-	-	-	- %	40,170	-	
Changes in net assets	1,902,402	(2,165,090)	1,650,076	3,257,565	3,552,478	1,092,475	2.25 %	222,120	59,517	
Net assets - beginning	10,857,868	13,022,958	11,753,010	8,495,445	21,518,403	21,518,403	- %	2,309,724	2,250,207	
Restatement	-	-	-	-	-	-	- %	-	-	
Net assets - beginning, restated	10,857,868	13,022,958	11,753,010	8,495,445	21,518,403	21,518,403	- %	2,309,724	2,250,207	
Net assets - ending	\$12,760,270	\$10,857,868	\$13,403,086	\$11,753,010	\$26,163,356	\$22,610,878	0.16 %	\$ 2,531,844	\$ 2,309,724	

Comparison of Revenue - By Function



Comparison of Expenses - By Function



Financial Analysis of the City of Lordsburg as a Whole

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

Governmental Funds

The focus of the City of Lordsburg's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the City of Lordsburg's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the 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 \$2,664,894, a increase of \$480,791 in comparison with the prior year. The increase is primarily due to the increase in grant and tax revenue. Approximately 61% of this total amount, \$1,626,091 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay special revenue and capital projects, \$955,445.

Revenues for governmental functions overall totaled approximately \$6,066,524 in the fiscal year-ended June 30, 2011, which represents a increase of \$1,672,435 from the fiscal year-ended June 30, 2010. Expenditures for governmental functions totaled \$4,562,823. This was a decrease of approximately \$1,513,914 from the fiscal year-ended June 30, 2010. In the fiscal year-ended June 30, 2011, expenditures for governmental functions exceeded revenues by approximately \$1,503,701.

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 \$1,626,091.

The fund balance of the City's General Fund increased \$725,643 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 \$3,358,599. The total increase in net assets for the proprietary fund was \$1,650,076.

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 2011, the cash and investments balance of the General Fund had increased by \$704,864.

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, 2011 amount to \$21,102,434 (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 \$2,496,226 for governmental activities. Improvements and machinery and equipment costing \$136,203 was purchased for the City and land and construction in progress of \$2,360,023. There were no additions or deletions in the governmental activities or in the business-type during 2011.

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:

	Governmental Activities		Business - Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Construction in Progress	\$ 589,321	\$ 1,445,309	\$ 87,715	\$ 87,715	\$ 677,036	\$ 1,533,024
Building & Infrastructure	9,378,060	7,699,559	10,010,311	8,964,559	19,388,371	16,664,118
Machinery and Equipment	<u>872,636</u>	<u>934,656</u>	<u>164,391</u>	<u>163,018</u>	<u>1,037,027</u>	<u>1,097,674</u>
Capital Assets, Net of A/D	<u>\$10,840,017</u>	<u>\$10,079,524</u>	<u>\$10,262,417</u>	<u>\$ 9,215,292</u>	<u>\$21,102,434</u>	<u>\$19,294,816</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 \$20,139,863. 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, 2011

	Governmental Activities		Business - Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Notes Payable	\$ 109,503	\$ 419,356	\$ 217,930	\$ 245,543	\$ 327,433	\$ 664,899
Bond Payable	630,000	985,000	-	-	630,000	985,000
Compensated Absences	<u>36,856</u>	<u>29,147</u>	<u>15,429</u>	<u>15,015</u>	<u>52,285</u>	<u>44,162</u>
Total Long Term Debt	<u>\$ 776,359</u>	<u>\$ 1,433,503</u>	<u>\$ 233,359</u>	<u>\$ 260,558</u>	<u>\$ 1,009,718</u>	<u>\$ 1,694,061</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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,249,341	\$ 571,718	\$ 1,821,059	\$ 370,779
Investments	1,303,728	2,282,861	3,586,589	-
Accounts receivable	190,921	517,518	708,439	4,090
Due from other governments	30,977	-	30,977	20,909
Total current assets	2,774,967	3,372,097	6,147,064	395,778
NON-CURRENT ASSETS:				
Restricted assets - cash	-	140,357	140,357	13,799
Capital assets	15,032,423	12,268,568	27,300,991	5,037,481
Less accumulated depreciation	(4,192,406)	(2,006,151)	(6,198,557)	(2,850,410)
Total assets	\$ 13,614,984	\$ 13,774,871	\$ 27,389,855	\$ 2,596,648
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 51,613	\$ 45,884	\$ 97,497	\$ 21,485
Accrued salaries	23,241	5,734	28,975	-
Cash overdraft	3,501	-	3,501	-
Compensated absences, current portion	18,428	7,714	26,142	8,610
Due to other governments	-	-	-	20,909
Current portion of long-term debt	70,955	28,441	99,396	-
Total current liabilities	167,738	87,773	255,511	51,004
NON-CURRENT LIABILITIES:				
Compensated absences, net of current portion	18,428	7,715	26,143	-
Customer deposits	-	86,808	86,808	13,800
Long-term debt, net of current portion	668,548	189,489	858,037	-
Total liabilities	854,714	371,785	1,226,499	64,804
NET ASSETS				
Invested in capital assets, net of related debt	10,095,376	10,044,487	20,139,863	2,187,071
Restricted for:				
Reserved for capital projects funds	194,707	-	194,707	20,909
Reserved for special revenue funds	760,738	-	760,738	-
Reserved for debt services	83,358	-	83,358	-
Unrestricted	1,626,091	3,358,599	4,984,690	323,864
Total net assets	\$ 12,760,270	\$ 13,403,086	\$ 26,163,356	\$ 2,531,844

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, 2011

FUNCTIONAL/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 929,849	\$ 66,968	\$ 1,031,923	-	\$ 168,142	-	\$ 168,142	\$ -
Public safety	1,218,821	41,498	-	-	(1,177,323)	-	(1,177,323)	-
Public works	499,991	-	-	2,160,928	1,660,937	-	1,660,937	-
Culture and recreation	334,921	15,141	-	-	(319,780)	-	(319,780)	-
Health and welfare	109,488	1,114	-	-	(108,374)	-	(108,374)	-
Total governmental activities	3,093,070	123,821	1,031,923	2,160,928	223,602	-	223,602	-
Business-type activities:								
Joint Utilities								
Water	454,799	780,947	-	-	-	326,148	326,148	-
Gas	847,285	724,690	-	-	-	(122,595)	(122,595)	-
Sewer	67,630	259,315	7,800	-	-	199,485	199,485	-
Solid waste	373,321	309,056	-	-	-	(64,265)	(64,265)	-
Total business-type activities	1,743,035	2,074,008	7,800	-	-	338,773	338,773	-
Total primary government	4,836,105	2,197,829	1,039,723	2,160,928	223,602	338,773	562,375	-
Component Unit				341,304				179,067
General Revenues:								
Taxes								
Local taxes					482,249	153,838	636,087	-
State shared taxes					1,728,176	-	1,728,176	-
Small cities assistance					175,710	-	175,710	-
Licenses and permits					21,884	-	21,884	-
Fines and forfeitures					149,179	-	149,179	-
Interest					890	641	1,531	533
Miscellaneous					195,738	81,798	277,536	2,350
Transfers					(1,075,026)	1,075,026	-	-
Extraordinary gain					-	-	-	40,170
Total general revenues and transfers					1,678,800	1,311,303	2,990,103	43,053
Changes in net assets					1,902,402	1,650,076	3,552,478	222,120
Net assets, beginning of year					10,857,868	11,753,010	22,610,878	2,309,724
Net assets, end of year					12,760,270	13,403,086	26,163,356	2,531,844

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, 2011

	General Fund	Lodgers Tax Fund	CDBG Funds	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 673,407	\$ 47,764	\$ -	\$ 528,170	\$ 1,249,341
Investments	857,406	275,627	-	170,695	1,303,728
Accounts receivable	151,769	23,553	-	15,599	190,921
Due from other governments	30,977	-	-	-	30,977
Total assets	<u>\$ 1,713,559</u>	<u>\$ 346,944</u>	<u>\$ -</u>	<u>\$ 714,464</u>	<u>\$ 2,774,967</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 36,590	\$ 1,398	\$ -	\$ 13,625	\$ 51,613
Accrued salaries	19,160	-	-	4,081	23,241
Cash overdraft	-	-	-	3,501	3,501
Deferred revenue	31,718	-	-	-	31,718
Total liabilities	87,468	1,398	-	21,207	110,073
Fund balances:					
Reserved for capital projects funds	-	-	-	194,707	194,707
Reserved for special revenue funds	-	345,546	-	415,192	760,738
Reserved for debt services	-	-	-	83,358	83,358
Unreserved	1,626,091	-	-	-	1,626,091
Total fund balances	<u>1,626,091</u>	<u>345,546</u>	<u>-</u>	<u>693,257</u>	<u>2,664,894</u>
Total liabilities and fund balances	<u>\$ 1,713,559</u>	<u>\$ 346,944</u>	<u>\$ -</u>	<u>\$ 714,464</u>	<u>\$ 2,774,967</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, 2011

Total fund balances - governmental funds		\$ 2,664,894
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	15,032,423	
Accumulated depreciation	<u>(4,192,406)</u>	10,840,017
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Property taxes		31,718
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	739,503	
Compensated absences	<u>36,856</u>	<u>(776,359)</u>
Total net assets - governmental activities		<u>\$ 12,760,270</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 -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Lodgers Tax Fund	CDBG Funds	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local taxes	\$ 73,760	\$ 164,333	\$ -	\$ 240,182	\$ 478,275
State shared taxes	1,728,176	-	-	-	1,728,176
Licenses and permits	21,884	-	-	-	21,884
Charges for services	66,068	-	-	57,753	123,821
Fines and forfeitures	149,179	-	-	-	149,179
Miscellaneous revenue	194,207	-	-	1,531	195,738
Small cities assistance	175,710	-	-	-	175,710
Joint power agreement	166,180	-	-	-	166,180
State allocation	115,000	-	-	-	115,000
Federal and state grants	648,648	-	700,000	1,563,023	2,911,671
Interest income	442	-	-	448	890
Total revenues	3,339,254	164,333	700,000	1,862,937	6,066,524
EXPENDITURES					
Current:					
General government	882,102	78,959	-	113,123	1,074,184
Public safety	1,060,160	-	-	91,144	1,151,304
Public works	96,375	-	-	262,112	358,487
Culture and recreation	64,600	-	-	161,869	226,469
Health and welfare	48,932	-	-	60,556	109,488
Capital outlay	161,815	-	-	1,084,806	1,246,621
Principal	-	-	-	361,893	361,893
Interest	-	-	-	34,377	34,377
Total expenditures	2,313,984	78,959	-	2,169,880	4,562,823
Excess (deficiency) of revenues over expenditures	1,025,270	85,374	700,000	(306,943)	1,503,701
OTHER FINANCING SOURCES (USES)					
Transfers in	61,112	-	-	616,711	677,823
Transfers out	(360,739)	(102,454)	(702,218)	(535,322)	(1,700,733)
Total other financing source (uses)	(299,627)	(102,454)	(702,218)	81,389	(1,022,910)
Net change in fund balance	725,643	(17,080)	(2,218)	(225,554)	480,791
Fund balance, beginning of year	900,448	362,626	2,218	918,811	2,184,103
Fund balance, end of year	\$ 1,626,091	\$ 345,546	\$ -	\$ 693,257	\$ 2,664,894

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, 2011

Net change in fund balances - total governmental funds \$ 480,791

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	2,496,226	
Transferred to business-type activities	(1,317,789)	
Depreciation expense	<u>(417,944)</u>	760,493

Governmental funds report loan proceeds as other financing source. However, in the statement of activities, these proceeds are not recognized as revenue. (695,000)

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 1,359,853

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. 3,974

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). (7,709)

Change in net assets of governmental activities \$ 1,902,402

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ 817,056	\$ 817,056	\$ 73,760	\$ (743,296)
State shared taxes	746,840	746,840	1,576,407	829,567
Licenses and permits	11,800	11,800	21,884	10,084
Charges for services	67,059	67,059	66,068	(991)
Fines and forfeitures	170,867	170,867	149,179	(21,688)
Miscellaneous revenue	453,312	453,312	194,348	(258,964)
Small cities assistance	146,361	146,361	175,710	29,349
Federal and state grants	381,524	381,524	929,828	548,304
Total revenues	<u>2,794,819</u>	<u>2,794,819</u>	<u>3,187,184</u>	<u>392,365</u>
EXPENDITURES:				
Current				
General government	1,804,420	1,804,420	826,353	978,067
Public safety	921,755	921,755	1,060,160	(138,405)
Public works	174,025	174,025	96,375	77,650
Culture and recreation	195,525	195,525	64,600	130,925
Health and welfare	69,081	69,081	48,932	20,149
Capital outlay	93,069	93,069	161,815	(68,746)
Total expenditures	<u>3,257,875</u>	<u>3,257,875</u>	<u>2,258,235</u>	<u>999,640</u>
Excess (deficiency) of revenues over expenditures	(463,056)	(463,056)	928,949	1,392,005
OTHER FINANCING SOURCES (USES)				
Transfers in	81,112	81,112	61,414	(19,698)
Transfers out	<u>(393,832)</u>	<u>(393,832)</u>	<u>(360,739)</u>	<u>33,093</u>
Total other financing sources (uses)	<u>(312,720)</u>	<u>(312,720)</u>	<u>(299,325)</u>	<u>13,395</u>
Net changes in fund balance	(775,776)	(775,776)	629,624	1,405,400
Fund balance - beginning of the year	<u>900,448</u>	<u>900,448</u>	<u>900,448</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 124,672</u>	<u>\$ 124,672</u>	<u>\$ 1,530,072</u>	<u>\$ 1,405,400</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 629,624	
Net revenue accruals			151,769	
Net expenditure accruals			<u>(55,750)</u>	
Net change in fund balance GAAP basis			<u>\$ 725,643</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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ 220,729	\$ 220,729	\$ 140,780	\$ (79,949)
Total revenues	220,729	220,729	140,780	(79,949)
EXPENDITURES:				
Current				
General government	87,400	87,400	77,561	9,839
Total expenditures	87,400	87,400	77,561	9,839
Excess (deficiency) of revenues over expenditures	133,329	133,329	63,219	(70,110)
OTHER FINANCING SOURCES (USES)				
Transfers in	98,102	98,102	-	(98,102)
Transfers out	(245,254)	(245,254)	(102,454)	142,800
Total other financing sources (uses)	(147,152)	(147,152)	(102,454)	44,698
Net changes in fund balance	(13,823)	(13,823)	(39,235)	(25,412)
Fund balance - beginning of the year	362,626	362,626	362,626	-
Fund balance - end of the year	\$ 218,480	\$ 218,480	\$ 218,480	\$ (144,146)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (39,235)	
Net revenue accruals			23,553	
Net expenditure accruals			(1,398)	
Net change in fund balance GAAP basis			\$ (17,080)	

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, 2011

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 571,718
Investments	2,282,861
Accounts receivable	<u>517,518</u>

Total current assets 3,372,097

Restricted assets - cash	140,357
Capital assets	12,268,568
Less accumulated depreciation	<u>(2,006,151)</u>

Total non-current assets 10,402,774

Total assets \$ 13,774,871

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 45,884
Accrued salaries	5,734
Compensated absences - current portion	7,715
Revenue bonds payable - current portion	<u>28,441</u>

Total current liabilities 87,774

Customer deposits	86,808
Compensated absences	7,714
Revenue bonds payable - long-term portion	<u>189,489</u>

Total liabilities 371,785

NET ASSETS

Invested in capital assets, net of related debt	10,044,487
Unrestricted	<u>3,358,599</u>

Total net assets 13,403,086

Total liabilities and net assets \$ 13,774,871

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, 2011

OPERATING REVENUES	
Charges for services	\$ 2,081,808
Gross receipts tax municipal	153,838
Miscellaneous	<u>81,798</u>
Total operating revenues	2,317,444
OPERATING EXPENSES	
Personnel services	425,599
Other operating expenses	1,046,772
Depreciation expense	<u>270,664</u>
Total operating expenses	<u>1,743,035</u>
Operating income	574,409
NON OPERATING REVENUES	
Interest income	<u>641</u>
Total non operating revenues	641
OTHER FINANCING SOURCES	
Transfers in	1,408,687
Transfers out	<u>(333,661)</u>
Total transfers	<u>1,075,026</u>
Change in net assets	1,650,076
Net assets, beginning of year	<u>11,753,010</u>
Net assets, end of year	<u>\$ 13,403,086</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, 2011**

Cash flows from operating activities:	
Cash received from agencies and customers	\$ 2,291,196
Cash used for salaries and operating expenses	<u>(1,527,132)</u>
Net cash provided by operating activities	764,064
Cash flows from non-capital activities and related financing activities:	
Net transfers	<u>1,143,210</u>
Net cash provided by non-capital activities and related financing activities	1,143,210
Cash flows from capital activities and related financing activities:	
Acquisition of capital assets	(1,317,789)
Principal payments on capital debt	<u>(27,613)</u>
Net cash used in capital activities and related financing activities	(1,345,402)
Cash flows from investing activities:	
Interest income	641
Cash reclassified as investment	<u>(84,138)</u>
Net cash used in investing activities	<u>(83,497)</u>
Net increase in cash and cash equivalents	478,375
Cash and cash equivalents - beginning	<u>233,700</u>
Cash and cash equivalents - ending	<u>\$ 712,075</u>
SUPPLEMENTARY INFORMATION:	
Cash and cash equivalents	\$ 571,718
Restricted cash	<u>140,357</u>
Total cash and cash equivalents	<u>\$ 712,075</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 506,225
Adjustments to operating income to net cash used in operating activities:	
Depreciation	270,664
Changes in net assets and liabilities:	
Accounts receivables	(26,248)
Accounts payable	5,896
Accrued salaries	670
Compensated absences	414
Customer deposits	<u>6,443</u>
Net cash provided by operating activities	<u>\$ 764,064</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, 2011

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 and capital projects funds that were required to be presented as major funds:

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

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.

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 fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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.

New Governmental Accounting Standards

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment

pools-such as bond mutual funds and external bond investment pools-that do not meet the requirements to be reported as a 2a7- like pool. Statement 53 is amended to: Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance - Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit - Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 - Provide that one of the "leveraged yield" criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012 . Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No.4, Elements of Financial

Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011 , the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

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, 2011 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, 2011, 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</u> <u>Bank</u>	<u>Plus DIT</u>	<u>Outstanding</u> <u>Checks</u>	<u>Balance Per</u> <u>Books</u>
Western Bank	\$ 5,702,702	\$ 59,857	\$ 218,055	\$ 5,544,504

Statement of Net Assets:

Cash	\$ 1,821,059
Restricted cash	140,357
Investments	3,586,589
Cash overdraft	<u>(3,501)</u>
Total	<u>\$ 5,544,504</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, 2011	\$ 5,702,702
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	5,452,702
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	2,726,351
Pledged Securities	<u>3,569,897</u>
Over (Under) Collateralized	<u>\$ 843,546</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, 2011, \$5,544,504 of the City's bank balance of \$2,818,153 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the City's name	\$ 2,726,351
Uninsured and uncollateralized	<u>2,818,153</u>
Total	<u>\$ 5,544,504</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2011, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivable	<u>\$ 190,921</u>	<u>\$ 517,518</u>	<u>\$ 708,439</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, 2011, 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, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
<i>Government activities:</i>					
Capital assets not being depreciated:					
Land	\$ 503,769	\$ -	\$ -	\$ -	\$ 503,769
Construction in progress	<u>941,540</u>	<u>2,360,023</u>	<u>-</u>	<u>(3,216,011)</u>	<u>85,552</u>
Total	<u>1,445,309</u>	<u>2,360,023</u>	<u>-</u>	<u>(3,216,011)</u>	<u>589,321</u>
Other capital assets being depreciated					
Buildings	4,490,661	-	-	-	4,490,661
Improvements	3,282,451	-	-	-	3,282,451
Infrastructure	2,206,511	-	-	1,950,641	4,157,152
Machinery and equipment	<u>2,429,054</u>	<u>136,203</u>	<u>-</u>	<u>(52,419)</u>	<u>2,512,838</u>
Total	<u>12,408,677</u>	<u>136,203</u>	<u>-</u>	<u>1,898,222</u>	<u>14,443,102</u>
Accumulated depreciation					
Buildings	818,625	95,462	-	-	914,087
Improvements	1,059,941	142,490	-	-	1,202,431
Infrastructure	401,498	34,188	-	-	435,686
Machinery and equipment	<u>1,494,398</u>	<u>145,804</u>	<u>-</u>	<u>-</u>	<u>1,640,202</u>
Total A/D	<u>3,774,462</u>	<u>417,944</u>	<u>-</u>	<u>-</u>	<u>4,192,406</u>
Total capital assets	<u>\$ 10,079,524</u>	<u>\$ 2,078,282</u>	<u>\$ -</u>	<u>\$(1,317,789)</u>	<u>\$ 10,840,017</u>

Depreciation expense for the year ended June 30, 2011 was charged as follows:

General government	\$ 100,471
Public safety	67,517
Public works	141,504
Culture and recreation	<u>108,452</u>
Total depreciation expense	<u>\$ 417,944</u>

	Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
<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	2,805,458	-	-	-	2,805,458
Utility system	7,176,575	-	-	1,265,370	8,441,945
Machinery and equipment	<u>854,551</u>	<u>-</u>	<u>-</u>	<u>52,419</u>	<u>906,970</u>
Total	<u>10,863,064</u>	<u>-</u>	<u>-</u>	<u>1,317,789</u>	<u>12,180,853</u>
Accumulated depreciation					
Buildings	6,361	530	-	-	6,891
Improvements	328,339	140,065	-	-	468,404
Utility system	709,254	79,023	-	-	788,277
Machinery and equipment	<u>691,533</u>	<u>51,046</u>	<u>-</u>	<u>-</u>	<u>742,579</u>
Total A/D	<u>1,735,487</u>	<u>270,664</u>	<u>-</u>	<u>-</u>	<u>2,006,151</u>
Total capital assets	<u>\$ 9,215,292</u>	<u>\$ (270,664)</u>	<u>\$ -</u>	<u>\$ 1,317,789</u>	<u>\$ 10,262,417</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2011 totaled \$270,664.

7. LONG TERM DEBT

During the year-end June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance 06/30/10	Additions	Reductions	Balance 06/30/11	Due Within One Year
<i>Governmental Funds:</i>					
2001 Lodgers Tax Bond	\$ 985,000	\$ -	\$ 985,000	\$ -	\$ -
Hidalgo Medical Center	303,913	-	303,913	-	-
2001 Tax Bond Refunding	-	695,000	65,000	630,000	65,000
Water Fluoride Project	82,052	-	4,222	77,830	4,233
Water Project NMFA	33,391	-	1,718	31,673	1,722
Compensated absences	<u>29,147</u>	<u>36,856</u>	<u>29,147</u>	<u>36,856</u>	<u>18,428</u>
Total	<u>\$ 1,433,503</u>	<u>\$ 731,856</u>	<u>\$ 1,389,000</u>	<u>\$ 776,359</u>	<u>\$ 89,383</u>

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

	Balance 6/30/10	Additions	Reductions	Balance 06/30/11	Due Within One Year
<i>Proprietary Fund:</i>					
NM Environment Dept	\$ 245,543	\$ -	\$ 27,613	\$ 217,930	\$ 28,441
Compensated absences	<u>15,015</u>	<u>15,429</u>	<u>15,015</u>	<u>15,429</u>	<u>7,714</u>
Total	<u>\$ 260,558</u>	<u>\$ 15,429</u>	<u>\$ 42,628</u>	<u>\$ 233,359</u>	<u>\$ 36,155</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. The bond was refinanced on December 2010. Interest is payable semi-annually on June 1 and December 1 commencing June 1, 2011. Interest begins accruing at 4.00% per annum. Principal payments vary according to the following amortization schedule:

Year Ending June 30	Principal	Interest	Total
2012	65,000	10,994	75,994
2013	65,000	10,591	75,591
2014	70,000	10,039	80,039
2015	70,000	9,255	79,255
2016	70,000	8,212	78,212
2017-2020	<u>290,000</u>	<u>18,011</u>	<u>308,011</u>
	<u>\$ 630,000</u>	<u>\$ 67,102</u>	<u>\$ 697,102</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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest/Fees</u>	<u>Total</u>
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	4,275	152	4,427
2017-2021	21,537	600	22,137
2022-2026	21,809	329	22,138
2027-2029	13,215	66	13,281
	<u>\$ 77,830</u>	<u>\$ 1,862</u>	<u>\$ 79,692</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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest/Fees</u>	<u>Total</u>
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	1,740	62	1,802
2017-2021	8,765	244	9,009
2022-2026	8,875	134	9,009
2027-2029	5,378	27	5,405
	<u>\$ 31,673</u>	<u>\$ 758</u>	<u>\$ 32,431</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
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	32,011	2,968	34,979
2017-2018	66,931	3,027	69,958
	<u>\$ 217,930</u>	<u>\$ 26,925</u>	<u>\$ 244,855</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, 2011, 2010 and 2009 were \$84,037, \$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, 2011.

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.

12. **INTERFUND TRANSFERS**

The composition of interfund transfers during the year ended June 30, 2011 are as follows:

Fund	Transfer In	Transfer Out
General	\$ 61,112	\$ 360,739
Lodgers Tax	98,102	200,254
Water Flouride	-	52,419
Swimming Pool	-	99,821
Cemetery	45,000	-
Recreation	67,052	-
Special Events	66,300	-
Road	24,285	-
Main Street Improvement	132,947	-
CDBG Water Project 2007	59,467	761,685
CO-OP 2007 2008	34,154	-
Waste Water Reuse Project	-	435,501
Debt Service	246,973	-
Enterprise funds	<u>1,408,688</u>	<u>333,661</u>
Totals	<u>\$ 2,244,080</u>	<u>\$ 2,244,080</u>

13. **EXCESS EXPENDITURES OVER APPROPRIATIONS**

New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The City exceeded its authorized budget by \$44,586 as follows:

Fund	Budget Expenses	Actual Expenses	Difference
Debt Service 2001	<u>\$ 451,118</u>	<u>\$ 495,704</u>	<u>\$ (44,586)</u>
Totals	<u>\$ 451,118</u>	<u>\$ 495,704</u>	<u>\$ (44,586)</u>

14. **BUDGETED DEFICIT FUND BALANCE**

The following funds budgeted a deficit fund balance as of June 30, 2011:

Law Enforcement	\$ 266
Recreation	6,840
Special Events Center	3,640
City Hall	7,550

15. DEFICIT FUND BALANCE

The following fund had a deficit fund balance as of June 30, 2011:

Special Events Center	\$	2,825
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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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.

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.

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.

CITY HALL FUND - To account for the construction of the new city hall.

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, 2011

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
ASSETS				
Cash and cash equivalents	\$ 250,105	\$ 194,707	\$ 83,358	\$ 528,170
Investment	170,695	-	-	170,695
Accounts receivable	15,599	-	-	15,599
Total assets	\$ 436,399	\$ 194,707	\$ 83,358	\$ 714,464
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 13,625	\$ -	\$ -	\$ 13,625
Accrued salaries	4,081	-	-	4,081
Cash overdraft	3,501	-	-	3,501
Total liabilities	21,207	-	-	21,207
Fund balance:				
Reserved for capital projects funds	-	194,707	-	194,707
Reserved for special revenue funds	415,192	-	-	415,192
Reserved for debt service	-	-	83,358	83,358
Total fund balance	415,192	194,707	83,358	693,257
Total liabilities and fund balances	\$ 436,399	\$ 194,707	\$ 83,358	\$ 714,464

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, 2011

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
REVENUES				
Local taxes	\$ 240,182	\$ -	\$ -	\$ 240,182
Federal and state grants	102,095	1,460,928	-	1,563,023
Charges for services	57,753	-	-	57,753
Interest income	448	-	-	448
Miscellaneous income	1,531	-	-	1,531
Total revenues	402,009	1,460,928	-	1,862,937
EXPENDITURES				
Current:				
General government	13,689	-	99,434	113,123
Public safety	91,144	-	-	91,144
Public works	262,112	-	-	262,112
Culture and recreation	161,869	-	-	161,869
Health and welfare	60,556	-	-	60,556
Capital outlay	-	1,084,806	-	1,084,806
Debt Service:				
Principal	-	-	361,893	361,893
Interest	-	-	34,377	34,377
Total expenditures	589,370	1,084,806	495,704	2,169,880
Deficiency of revenues under expenditures	(187,361)	376,122	(495,704)	(306,943)
OTHER FINANCING SOURCES (USES)				
Transfers in	202,637	167,101	246,973	616,711
Transfers out	-	(535,322)	-	(535,322)
Total other financing sources (uses)	202,637	(368,221)	246,973	81,389
Net change in fund balance	15,276	7,901	(248,731)	(225,554)
Fund balance, beginning of year	399,916	186,806	332,089	918,811
Fund balance, end of year	\$ 415,192	\$ 194,707	\$ 83,358	\$ 693,257

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, 2011

	Road	Fire	Corrections	Law Enforcement	Cemetery	Recreation	City Income	Special Events Center	Total
ASSETS									
Cash and cash equivalents	\$ 34,151	\$ 193,909	\$ 3,737	\$ 11,619	\$ -	\$ 6,689	\$ -	\$ -	\$ 250,105
Investment	29,717	-	-	-	110,397	30,581	-	-	170,695
Accounts receivable	15,599	-	-	-	-	-	-	-	15,599
Total assets	\$ 79,467	\$ 193,909	\$ 3,737	\$ 11,619	\$ 110,397	\$ 37,270	\$ -	\$ -	\$ 436,399
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable	\$ 1,179	\$ 3,255	\$ -	\$ 467	\$ 835	\$ 5,989	\$ -	\$ 1,900	\$ 13,625
Accrued salaries	996	-	-	-	645	2,061	-	379	4,081
Cash overdraft	-	-	-	-	2,955	-	-	546	3,501
Total liabilities	2,175	3,255	-	467	4,435	8,050	-	2,825	21,207
Fund balance									
Reserved for special revenue funds	77,292	190,654	3,737	11,152	105,962	29,220	-	(2,825)	415,192
Total fund balance	77,292	190,654	3,737	11,152	105,962	29,220	-	(2,825)	415,192
Total liabilities and fund balance	\$ 79,467	\$ 193,909	\$ 3,737	\$ 11,619	\$ 110,397	\$ 37,270	\$ -	\$ -	\$ 436,399

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, 2011

	Road	Fire	Corrections	Law Enforcement	Cemetery	Recreation	City Income	Special Events Center	Total
REVENUES									
Local taxes	\$ 225,665	\$ -	\$ -	\$ -	\$ -	\$ 828	\$ 13,689	\$ -	\$ 240,182
Federal and state grants	-	75,495	-	26,600	-	-	-	-	102,095
Charges for services	-	-	41,498	-	1,114	7,978	-	7,163	57,753
Interest income	-	448	-	-	-	-	-	-	448
Miscellaneous revenue	-	-	-	-	-	1,531	-	-	1,531
Total revenues	225,665	75,943	41,498	26,600	1,114	10,337	13,689	7,163	402,009
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	13,689	-	13,689
Public safety	-	31,204	39,900	20,040	-	-	-	-	91,144
Public works	262,112	-	-	-	-	-	-	-	262,112
Culture and recreation	-	-	-	-	-	88,415	-	73,454	161,869
Health and welfare	-	-	-	-	60,556	-	-	-	60,556
Total expenditures	262,112	31,204	39,900	20,040	60,556	88,415	13,689	73,454	589,370
Excess (deficiency) of revenues over (under) expenditures	(36,447)	44,739	1,598	6,560	(59,442)	(78,078)	-	(66,291)	(187,361)
OTHER FINANCING SOURCES (USES)									
Operating transfers in	24,285	-	-	-	45,000	67,052	-	66,300	202,637
Total other financing source (uses)	24,285	-	-	-	45,000	67,052	-	66,300	202,637
Net change in fund balance	(12,162)	44,739	1,598	6,560	(14,442)	(11,026)	-	9	15,276
Fund balance, beginning of year	89,454	145,915	2,139	4,592	120,404	40,246	-	(2,834)	399,916
Fund balance, end of year	\$ 77,292	\$ 190,654	\$ 3,737	\$ 11,152	\$ 105,962	\$ 29,220	\$ -	\$ (2,825)	\$ 415,192

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

STATE OF NEW MEXICO
CITY OF LORDSBURG

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 275,706	\$ 275,706	\$ 210,066	\$ (65,640)
Total revenues	275,706	275,706	210,066	(65,640)
EXPENDITURES:				
Current				
Public works	285,888	285,888	259,937	25,951
Total expenditures	285,888	285,888	259,937	25,951
Excess (deficiency) of revenues over expenditures	(10,182)	(10,182)	(49,871)	(39,689)
OTHER FINANCING SOURCES				
Transfers in	-	-	24,285	24,285
Transfers out	(30,800)	(30,800)	-	30,800
Total other financing sources	(30,800)	(30,800)	24,285	55,085
Net changes in fund balance	(40,982)	(40,982)	(25,586)	15,396
Fund balance - beginning of the year	89,454	89,454	89,454	-
Fund balance - end of the year	\$ 48,472	\$ 48,472	\$ 63,868	\$ 15,396
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (25,586)	
Net revenue accruals			15,599	
Net expenditure accruals			(2,175)	
Net change in fund balance GAAP basis			\$ (12,162)	

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 FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Plus/Minus (Negative)
REVENUES:				
State grants	\$ 77,451	\$ 77,451	\$ 75,495	\$ (1,956)
Interest income	200	200	448	248
Total revenues	77,651	77,651	75,943	(1,708)
EXPENDITURES:				
Current				
Public safety	221,797	221,797	27,949	193,848
Total expenditures	221,797	221,797	27,949	193,848
Excess (deficiency) of revenues over expenditures	(144,146)	(144,146)	47,994	192,140
Net changes in fund balance	(144,146)	(144,146)	47,994	192,140
Fund balance - beginning of the year	145,915	145,915	145,915	-
Fund balance - end of the year	\$ 1,769	\$ 1,769	\$ 1,769	\$ (144,146)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 47,994	
Net expenditure accruals			(3,255)	
Net change in fund balance GAAP basis			\$ 44,739	

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 39,900	\$ 39,900	\$ 41,498	\$ 1,598
Total revenues	39,900	39,900	41,498	1,598
EXPENDITURES:				
Current				
Public safety	39,900	39,900	39,900	-
Total expenditures	39,900	39,900	39,900	-
Net changes in fund balance	-	-	1,598	1,598
Fund balance - beginning of the year	2,139	2,139	2,139	-
Fund balance - end of the year	\$ 2,139	\$ 2,139	\$ 3,737	\$ 1,598
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 1,598	
Net change in fund balance GAAP basis			\$ 1,598	

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 26,000	\$ 26,000	\$ 26,600	\$ 600
Total revenues	26,000	26,000	26,600	600
EXPENDITURES:				
Current				
Public safety	30,858	30,858	19,573	11,285
Total expenditures	30,858	30,858	19,573	11,285
Net changes in fund balance	(4,858)	(4,858)	7,027	11,885
Fund balance - beginning of the year	4,592	4,592	4,592	-
Fund balance - end of the year	\$ (266)	\$ (266)	\$ 11,619	\$ 11,885
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 7,027	
Net expenditure accruals			(467)	
Net change in fund balance GAAP basis			\$ 6,560	

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 13,600	\$ 13,600	\$ 1,114	\$ (12,486)
Total revenues	13,600	13,600	1,114	(12,486)
EXPENDITURES:				
Current				
Health and welfare	75,394	75,394	59,076	16,318
Total expenditures	75,394	75,394	59,076	16,318
Excess (deficiency) of revenues over expenditures	(61,794)	(61,794)	(57,962)	3,832
OTHER FINANCING SOURCES				
Transfers in	35,000	35,000	45,000	10,000
Total other financing sources	35,000	35,000	45,000	10,000
Net changes in fund balance	(26,794)	(26,794)	(12,962)	13,832
Fund balance - beginning of the year, as restated	120,404	120,404	120,404	-
Fund balance - end of the year	\$ 93,610	\$ 93,610	\$ 107,442	\$ 13,832
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (12,962)	
Net expenditure accruals			(1,480)	
Net change in fund balance GAAP basis			\$ (14,442)	

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ -	\$ -	\$ 828	\$ 828
Charges for services	\$ 6,508	\$ 6,508	\$ 7,978	\$ 1,470
Interest income	500	500	1,531	1,031
Total revenues	7,008	7,008	10,337	3,329
EXPENDITURES:				
Current				
Culture and recreation	121,146	121,146	80,365	40,781
Total expenditures	121,146	121,146	80,365	40,781
Excess (deficiency) of revenues over expenditures	(114,138)	(114,138)	(70,028)	44,110
OTHER FINANCING SOURCES				
Transfers in	68,052	68,052	67,052	(1,000)
Transfers out	(1,000)	(1,000)	-	1,000
Total other financing sources	67,052	67,052	67,052	-
Net changes in fund balance	(47,086)	(47,086)	(2,976)	44,110
Fund balance - beginning of the year, as restated	40,246	40,246	40,246	-
Fund balance - end of the year	\$ (6,840)	\$ (6,840)	\$ 37,270	\$ 44,110
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (2,976)	
Net expenditure accruals			(8,050)	
Net change in fund balance GAAP basis			\$ (11,026)	

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ 71,360	\$ 71,360	\$ 13,689	\$ (57,671)
Total revenues	71,360	71,360	13,689	(57,671)
EXPENDITURES:				
Debt service				
Principal	71,360	71,360	13,689	57,671
Total expenditures	71,360	71,360	13,689	57,671
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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 1,197	\$ 1,197	\$ -	\$ (1,197)
Charges for services	<u>23,325</u>	<u>23,325</u>	<u>7,163</u>	<u>(16,162)</u>
Total revenues	24,522	24,522	7,163	(17,359)
EXPENDITURES:				
Current				
Culture and recreation	<u>124,220</u>	<u>124,220</u>	<u>71,175</u>	<u>53,045</u>
Total expenditures	<u>124,220</u>	<u>124,220</u>	<u>71,175</u>	<u>53,045</u>
Excess (deficiency) of revenues over expenditures	(99,698)	(99,698)	(64,012)	35,686
OTHER FINANCING SOURCES				
Transfers in	68,300	68,300	66,300	(2,000)
Transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>
Total other financing sources	<u>66,300</u>	<u>66,300</u>	<u>66,300</u>	<u>-</u>
Net changes in fund balance	(33,398)	(33,398)	2,288	35,686
Fund balance - beginning of the year	<u>(2,834)</u>	<u>(2,834)</u>	<u>(2,834)</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (36,232)</u>	<u>\$ (36,232)</u>	<u>\$ (546)</u>	<u>\$ 35,686</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 2,288	
Net expenditure accruals			<u>(2,279)</u>	
Net change in fund balance GAAP basis			<u>\$ 9</u>	

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

CAPITAL PROJECTS FUNDS

STATE OF NEW MEXICO
CITY OF LORDSBURG

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	Swimming Pool	Main Street Improvement	2007 - 2008 Co-Op	Waste Water Reuse Project	Water Fluoride	City Hall	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ 4	\$ 103,225	\$ 84,361	\$ 7,117	\$ -	\$ 194,707
Total assets	\$ -	\$ 4	\$ 103,225	\$ 84,361	\$ 7,117	\$ -	\$ 194,707
LIABILITIES AND FUND BALANCE							
Fund balance:							
Reserved for capital projects	\$ -	\$ 4	\$ 103,225	\$ 84,361	\$ 7,117	\$ -	\$ 194,707
Total liabilities and fund balance	\$ -	\$ 4	\$ 103,225	\$ 84,361	\$ 7,117	\$ -	\$ 194,707

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, 2011

	Swimming Pool	Main Street Improvement	2007 - 2008 Co-Op	Waste Water Reuse Project	Water Fluoride	City Hall	Total
REVENUES							
Federal and state grants	\$ -	\$ 374,365	\$ 584,336	\$ 502,227	\$ -	\$ 52,419	\$ 1,460,928
Total revenues	-	374,365	584,336	502,227	-	52,419	1,460,928
EXPENDITURES							
Capital outlay	-	528,665	548,620	-	7,521	-	1,084,806
Total expenditures	-	528,665	548,620	-	7,521	-	1,084,806
Excess (deficiency) of revenues over (under) expenditures	-	(154,300)	35,716	502,227	(7,521)	52,419	376,122
OTHER FINANCING SOURCES							
Operating transfers in	-	132,947	34,154	-	-	-	167,101
Operating Transfers out	(99,821)	-	-	(435,501)	-	(52,419)	(535,322)
Total other financing sources	(99,821)	132,947	34,154	(435,501)	-	(52,419)	(368,221)
Net change in fund balance	(99,821)	(21,353)	69,870	66,726	(7,521)	-	7,901
Fund balance, beginning of year	99,821	21,357	33,355	17,635	14,638	-	186,806
Fund balance, end of year	\$ -	\$ 4	\$ 103,225	\$ 84,361	\$ 7,117	\$ -	\$ 194,707

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(99,821)	(99,821)
Total other financing sources (uses)	-	-	(99,821)	(99,821)
Net changes in fund balance	-	-	(99,821)	(99,821)
Fund balance - beginning of the year	99,821	99,821	99,821	-
Fund balance - end of the year	\$ 99,821	\$ 99,821	\$ -	\$ (99,821)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (99,821)	
Net change in fund balance GAAP basis			\$ (99,821)	

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 374,375	\$ 374,375	\$ 374,365	\$ (10)
Total revenues	374,375	374,375	374,365	(10)
EXPENDITURES:				
Capital outlay	528,666	528,666	528,665	1
Total expenditures	528,666	528,666	528,665	1
Excess (deficiency) of revenues over expenditures	(154,291)	(154,291)	(154,300)	(9)
OTHER FINANCING SOURCES				
Transfers in	132,948	132,948	132,947	(1)
Total other financing sources	132,948	132,948	132,947	(1)
Net changes in fund balance	(21,343)	(21,343)	(21,353)	(10)
Fund balance - beginning of the year	21,357	21,357	21,357	-
Fund balance - end of the year	\$ 14	\$ 14	\$ 4	\$ (10)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (21,353)	
Net change in fund balance GAAP basis			\$ (21,353)	

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 584,336	\$ 584,336	\$ 584,336	\$ -
Total revenues	584,336	584,336	584,336	-
EXPENDITURES:				
Capital outlay	548,620	548,620	548,620	-
Total expenditures	548,620	548,620	548,620	-
Deficiency of revenues over expenditures	35,716	35,716	35,716	-
OTHER FINANCING SOURCES				
Transfers in	30,900	30,900	34,154	3,254
Total other financing sources	30,900	30,900	34,154	3,254
Net changes in fund balance	66,616	66,616	69,870	3,254
Fund balance - beginning of the year	33,355	33,355	33,355	-
Fund balance - end of the year	\$ 99,971	\$ 99,971	\$ 103,225	\$ 3,254
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 69,870	
Net change in fund balance GAAP basis			\$ 69,870	

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 506,966	\$ 506,966	\$ 502,227	\$ (4,739)
Total revenues	506,966	506,966	502,227	(4,739)
EXPENDITURES:				
Current				
Capital outlay	435,502	435,502	-	435,502
Total expenditures	435,502	435,502	-	435,502
Excess of revenues over expenditures	71,464	71,464	502,227	430,763
OTHER FINANCING SOURCES				
Transfers out	-	-	(435,501)	(435,501)
Total other financing sources	-	-	(435,501)	(435,501)
Net changes in fund balance	71,464	71,464	66,726	(4,738)
Fund balance - beginning of the year	17,635	17,635	17,635	-
Fund balance - end of the year	\$ 89,099	\$ 89,099	\$ 84,361	\$ (4,738)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 66,726	
Net change in fund balance GAAP basis			\$ 66,726	

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 - WATER FLUORIDE
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
EXPENDITURES:				
Capital outlay	7,550	7,550	7,521	29
Total expenditures	7,550	7,550	7,521	29
Net changes in fund balance	(7,550)	(7,550)	(7,521)	29
Fund balance - beginning of the year	14,638	14,638	14,638	-
Fund balance - end of the year	\$ 7,088	\$ 7,088	\$ 7,117	\$ 29
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (7,521)	
Net change in fund balance GAAP basis			\$ (7,521)	

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 - CITY HALL
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ -	\$ -	\$ 52,419	\$ 52,419
Total revenues	-	-	52,419	52,419
EXPENDITURES:				
Capital outlay	7,550	7,550	52,419	(44,869)
Total expenditures	7,550	7,550	-	(44,869)
OTHER FINANCING SOURCES				
Transfers out	-	-	(52,419)	(52,419)
Total other financing sources	-	-	(52,419)	(52,419)
Net changes in fund balance	(7,550)	(7,550)	-	(44,869)
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	<u>\$ (7,550)</u>	<u>\$ (7,550)</u>	<u>\$ -</u>	<u>\$ (44,869)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net change in fund balance GAAP basis			<u>\$ -</u>	

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

DEBT SERVICE FUND

STATE OF NEW MEXICO
CITY OF LORDSBURG

COMBINED BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE 2001 FUND
JUNE 30, 2011

	<u>Debt Service 2011</u>
ASSETS	
Cash and cash equivalents	<u>\$ 83,358</u>
Total assets	<u>\$ 83,358</u>
LIABILITIES AND FUND BALANCE	
Fund balance:	
Reserved for debt service	<u>\$ 83,358</u>
Total fund balance	<u>83,358</u>
Total liabilities and fund balances	<u>\$ 83,358</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 2001 FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Debt Service 2011</u>
EXPENDITURES	
Current:	
General government	\$ 99,434
Debt Service:	
Principal	361,893
Interest	<u>34,377</u>
Total expenditures	<u>495,704</u>
Deficiency of revenues under expenditures	(495,704)
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>246,973</u>
Total other financing sources (uses)	<u>246,973</u>
Net change in fund balance	(248,731)
Fund balance, beginning of year	<u>332,089</u>
Fund balance, end of year	<u>\$ 83,358</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 DEBT SERVICE FUND - DEBT SERVICE 2001 FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
General government	\$ 96,792	\$ 96,792	\$ 99,434	\$ (2,642)
Debt service				
Principal	296,893	296,893	361,893	(65,000)
Interest	<u>57,433</u>	<u>57,433</u>	<u>34,377</u>	<u>23,056</u>
Total expenditures	<u>451,118</u>	<u>451,118</u>	<u>495,704</u>	<u>(44,586)</u>
Excess (deficiency) of revenues over expenditures	(451,118)	(451,118)	(495,704)	(44,586)
OTHER FINANCING SOURCES				
Transfers in	<u>147,152</u>	<u>147,152</u>	<u>246,973</u>	<u>99,821</u>
Total other financing sources	<u>147,152</u>	<u>147,152</u>	<u>246,973</u>	<u>99,821</u>
Net changes in fund balance	(303,966)	(303,966)	(248,731)	55,235
Fund balance - beginning of the year	<u>332,089</u>	<u>332,089</u>	<u>332,089</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 28,123</u>	<u>\$ 28,123</u>	<u>\$ 83,358</u>	<u>\$ 55,235</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (248,731)	
Net change in fund balance GAAP basis			<u>\$ (248,731)</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 - CDBG WATER PROJECT 2007
FOR THE YEAR ENDED JUNE 30, 2011

	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	761,685	761,685	-	761,685
Total expenditures	761,685	761,685	-	761,685
Excess (deficiency) of revenues over expenditures	(61,685)	(61,685)	700,000	761,685
OTHER FINANCING SOURCES				
Transfers in	59,468	59,468	-	(59,468)
Transfers out	-	-	(702,218)	(702,218)
Total other financing sources	59,468	59,468	(702,218)	(761,686)
Net changes in fund balance	(2,217)	(2,217)	(2,218)	(1)
Fund balance - beginning of the year	2,218	2,218	2,218	-
Fund balance - end of the year	\$ 1	\$ 1	\$ -	\$ (1)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (2,218)	
Net change in fund balance GAAP basis			\$ (2,218)	

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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 2,219,310	\$ 2,219,310	\$ 1,564,290	\$ (655,020)
State shared taxes	37,096	37,096	153,838	116,742
Interest income	11,640	11,640	641	(10,999)
Miscellaneous income	74,139	74,139	81,798	7,659
Total revenues	2,342,185	2,342,185	1,800,567	(541,618)
EXPENDITURES:				
Personnel services	593,056	593,056	373,981	219,075
Other operating expenses	1,850,322	1,850,322	1,114,956	735,366
Capital outlay	97,000	97,000	-	97,000
Total expenditures	2,540,378	2,540,378	1,488,937	1,051,441
Excess (deficiency) of revenues over expenditures	(198,193)	(198,193)	311,630	509,823
OTHER FINANCING SOURCES (USES)				
Transfers in	109,082	109,082	1,476,871	1,367,789
Transfers out	(344,794)	(344,794)	(333,661)	11,133
Total other financing sources (uses)	(235,712)	(235,712)	1,143,210	1,378,922
Net changes in fund balance	(433,905)	(433,905)	1,454,840	1,888,745
Fund balance - beginning of the year	11,753,010	11,753,010	11,753,010	-
Fund balance - end of the year	\$ 11,319,105	\$ 11,319,105	\$ 13,207,850	\$ 1,888,745
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 1,454,840	
Net revenue accruals			517,518	
Net expenditure accruals			(51,618)	
Depreciation expense			(270,664)	
Net change in fund balance GAAP basis			\$ 1,650,076	

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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF LORDSBURG

SCHEDULE OF DEPOSITORIES
JUNE 30, 2011

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Western Bank					
General - Operating	CK	\$ 1,873,541	\$ 21,479	\$ 218,045	\$ 1,676,975
Street Parking Project	CK	14	-	10	4
Solid Waste Reserve	CK	1,276	1,600	-	2,876
2007-2008 COOP	CK	103,225	-	-	103,225
Debt Service	CK	45,887	36,778	-	82,665
USDA Water Reuse Project	CK	84,361	-	-	84,361
NADB Fluoride Project	CK	7,117	-	-	7,117
Debt Service	CK	693	-	-	693
Overnight Account	MM	3,096,441	-	-	3,096,441
CD	CD	254,876	-	-	254,876
CD	CD	235,271	-	-	235,271
Total		<u>\$ 5,702,702</u>	<u>\$ 59,857</u>	<u>\$ 218,055</u>	<u>\$ 5,544,504</u>

Reconciliation to Government Wide

Cash	\$ 1,821,059
Investments	3,586,589
Restricted Cash	140,357
Cash Overdraft	(3,501)
Total	<u>\$ 5,544,504</u>

Type:

CK= Checking

MM= Money Market

CD= Certificate of Deposit

Western Bank

Amount held in bank June 30, 2011	\$ 5,702,702
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	5,452,702
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	2,726,351
Pledged Securities	<u>3,569,897</u>
Over (Under) Collateralized	<u>\$ 843,546</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, 2011

Description of Pledged Collateral	Amount	Name and Location
Clovis NM, CUSIP#189414HN8, Maturing 8/2/2025	\$ 523,815	Federal Home Loan Bank of Dallas
Roswell NM, CUSIP#778544CC8, Maturing 8/1/2013	401,304	Federal Home Loan Bank of Dallas
FHLMC ARM Poll, CUSIP#31346VH28, Maturing 7/1/2030	240,055	Federal Home Loan Bank of Dallas
FNMA 2006-75 CM, CUSIP#31394V3D0, Maturing 12/25/2033	47,603	Federal Home Loan Bank of Dallas
FHLMC 2006-7 TC, CUSIP#31394VA26, Maturing 9/23/2033	1,093,586	Federal Home Loan Bank of Dallas
Hidalgo CNTY N Mex, CUSIP#429308DE6, Maturing 10/1/2016	112,605	Federal Home Loan Bank of Dallas
Hidalgo CNTY N Mex, CUSIP#429308DF3, Maturing 10/1/2017	134,406	Federal Home Loan Bank of Dallas
Hidalgo CNTY N Mex, CUSIP#429308DG1, Maturing 10/1/2018	135,691	Federal Home Loan Bank of Dallas
Santa Fe CNTY N Mex, CUSIP#@801889LT1	271,735	Federal Home Loan Bank of Dallas
FNMA 2002-74 PE, CUSIP# 31392FPP6, Maturing 3/15/2023	<u>609,097</u>	Federal Home Loan Bank of Dallas
Total pledged securities	<u>\$ 3,569,897</u>	

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

CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE
JUNE 30, 2011

Account No.		Rent 14.850	CFP 14.872	Total
Assets:				
Current assets:				
111	Cash-unrestricted	\$ 370,779	\$ -	\$ 370,779
114	Cash-tenant security deposits	<u>13,799</u>	<u>-</u>	<u>13,799</u>
100	Total cash	384,578	-	384,578
Accounts receivable:				
126	Tenants	4,090	-	4,090
142	Prepaid expense and other assets	-	-	-
144	Inter-Program due from	<u>-</u>	<u>20,909</u>	<u>20,909</u>
150	Total current assets	388,668	20,909	409,577
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	2,363,813	-	2,363,813
166	Accumulated depreciation	<u>(2,850,410)</u>	<u>-</u>	<u>(2,850,410)</u>
160	Total fixed assets, net	<u>2,187,071</u>	<u>-</u>	<u>2,187,071</u>
180	Total non-current assets	<u>2,187,071</u>	<u>-</u>	<u>2,187,071</u>
190	Total assets	<u>\$ 2,575,739</u>	<u>\$ 20,909</u>	<u>\$ 2,596,648</u>
Liabilities and fund equity:				
Current liabilities:				
312	Accounts payable <= 90 days	\$ 17,498	\$ -	\$ 17,498
322	Accrued comp. absences -current portion	8,610	-	8,610
333	Accounts payable - other government	3,987	-	3,987
347	Inter-program due to	20,909	-	20,909
Liabilities payable from restricted assets:				
341	Tenant security deposits	<u>13,800</u>	<u>-</u>	<u>13,800</u>
310	Total current liabilities	<u>64,804</u>	<u>-</u>	<u>64,804</u>
300	Total liabilities	64,804	-	64,804
Net assets:				
508.1	Invested in capital assets, net of rel. debt	2,187,071	-	2,187,071
511.1	Restricted net assets	-	20,909	20,909
512.1	Unrestricted net assets	<u>323,864</u>	<u>-</u>	<u>323,864</u>
513	Total net assets	<u>2,510,935</u>	<u>20,909</u>	<u>2,531,844</u>
600	Total liabilities and net assets	<u>\$ 2,575,739</u>	<u>\$ 20,909</u>	<u>\$ 2,596,648</u>

CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE
JUNE 30, 2011

Account No.		Low Rent 14.850	CFP 14.872	Total
Revenue				
703	Net tenant rental revenue	\$ 273,163	\$ -	\$ 273,163
705	Total tenant revenue	273,163	-	273,163
706	HUD PHA operating grants	194,795	-	194,795
706.1	Capital grants	-	341,304	341,304
711	Investment income - unrestricted	533	-	533
715	Other revenue	2,350	-	2,350
700	Total revenue	470,841	341,304	812,145
Expenses				
911	Administrative salaries	175,160	-	175,160
912	Auditing and accounting fees	9,358	-	9,358
915	Employee benefit contributions-Adm	22,642	-	22,642
910	Other operating-administrative	127,740	-	127,740
931	Water	47,694	-	47,694
932	Electricity	7,289	-	7,289
933	Gas	36,925	-	36,925
942	Ordinary maintenance and operations-materials	33,339	-	33,339
961	Insurance premiums	22,476	-	22,476
969	Total operating expenses	482,623	-	482,623
970	Excess operating revenue over operating exp.	(11,782)	341,304	329,522
974	Depreciation expense	147,572	-	147,572
900	Total expenses	630,195	-	630,195
100.1	Operating transfers in	341,304	-	341,304
100.2	Operating transfers out	-	(341,304)	(341,304)
100.7	Extraordinary gain	40,170	-	40,170
101	Total other financing sources (uses)	381,474	(341,304)	40,170
101	Total other financing sources (uses)	381,474	(341,304)	40,170
100	Excess of operating revenue over expenses	222,120	-	222,120
110.3	Beginning net assets	2,288,815	20,909	2,309,724
	Net assets at end of year	\$ 2,510,935	\$ 20,909	\$ 2,531,844

STATE OF NEW MEXICO
CITY OF LORDSBURG

JOINT POWERS AGREEMENTS
JUNE 30, 2011

City of Lordsburg and County of Hidalgo Joint Powers Agreement

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

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

STATE OF NEW MEXICO
CITY OF LORDSBURG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

Federal Grantor Pass Through Grantor Program Title	CFDA	Program or Grant Number	Award Amount	Expenditures
<i>United States Department of Transportation</i>				
Highway Planning and Construction ARRA	20.205	ECO-0494(1)	\$ 399,761	\$ 374,364
Airport Improvement Program	20.106	3-35-0026-009-2010	<u>22,000</u>	<u>22,000</u>
Total US Department of Transportation			421,761	396,364
<i>United States Department of Agriculture</i>				
Community Facilities Loans and Grants	10.766	SJT9-0001	52,419	52,419
<i>United States Department of Homeland Security</i>				
Stone Garden	97.067	2009-54387	272,000	272,000
Safe Border	97.120	42745	<u>45,230</u>	<u>45,230</u>
Total US Department of Health and Human Services			317,230	317,230
<i>United States Department of Justice</i>				
DOJ - Southwest Border Prosecution Initiative	16.755	2009-G8697-NM-D	14,457	14,457
Total Expenditures of Federal Awards			<u>\$ 805,867</u>	<u>\$ 780,470</u>

Note 1 - Basis of Presentation

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lordsburg and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City of Lordsburg as of and for the year ended June 30, 2011, and have issued our report thereon dated June 6, 2012. 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, 10-02, 11-01 and 11-02.

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, and 09-04.

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

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

White + Samaniego + Campbell, LLP
El Paso, Texas
June 6, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited City of Lordsburg, New Mexico's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Lordsburg, New Mexico's major federal programs for the year ended June 30, 2011. City of Lordsburg, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Lordsburg, New Mexico's management. Our responsibility is to express an opinion on City of Lordsburg, New Mexico's compliance based on our audit.

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

In our opinion, City of Lordsburg, New Mexico, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-01 and 11-02.

Internal Control over Compliance

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

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

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

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

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

White + Gamariño + Campbell, LLP
El Paso, Texas
June 6, 2012

STATE OF NEW MEXICO
CITY OF LORDSBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs

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

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

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

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.766	US Department of Agriculture - Community Facilities Loans and Grants
20.205	US Department of Transportation - Highway Planning and Construction ARRA

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

Auditee qualified as low-risk auditee Yes X No

STATE OF NEW MEXICO
CITY OF LORDSBURG

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

PRIOR YEAR FINDINGS:

07-01	Failure to Apply GAAP	Repeated
07-02	Completion of Audit Report	Repeated
07-04	Budget	Repeated
09-03	Pledge Collateral	Resolved
09-04	Journal Entry Testwork	Repeated
09-05	Cash Deposits	Resolved
10-01	Lodger's Tax	Repeated
10-02	Payroll Documentation	Repeated

Component Unit:

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

STATE OF NEW MEXICO
CITY OF LORDSBURG

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

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, 2011. It was submitted in June 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, 2011.
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	\$ 451,118	495,704	(44,586)

<u>Fund</u>	<u>Budgeted Deficit</u>
Law Enforcement	\$ 266
Recreation	6,840
Special Events Center	36,232
City Hall	7,550

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.

Journal Entry Testwork (09-04)

CONDITION During our Journal Entry testwork, we selected six items to test and five 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.

Lodger's Tax (10-01)

CONDITION	The City of Lordsburg did not collect lodgers tax from all the lodging establishments during the fiscal year 2011 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 assess 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 2011 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 2011 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 eight timesheets tested, there was one instance where the total number of hours paid did not agree to the total number of hours per timesheet tested.
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, 2011.
CAUSE	The audit was not submitted from the Housing Authority until June 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.

Data Collection Form Package Not Timely Filed (11-01)

CONDITION	The Data Collection Form and the reporting package was not submitted to the federal clearing house within nine months after the fiscal year end.
CRITERIA	OMB Circular A-133.320 requires that the data collection form and the reporting package be submitted within nine months of the fiscal year end for all single audit reports.
CAUSE	The audit was not completed by the required deadline, as detailed in finding 07-04 above.
EFFECT	Data used by the federal government Federal regulations have been violated.
RECOMMENDATION	We recommend that the Data Collection form be filed timely, if required.
RESPONSE	The recommendation will be adopted.

Lack of Adequate Internal Control over Compliance (11-02)

CONDITION	Supporting documentation was missing for one disbursement from the CFP program, out of 6 tested. The check was written for \$1,801.
CRITERIA	The Housing Authority is required to follow the Single Audit requirements stipulated by U.S. Office of Management and Budget (OMB) Circular A-133 when receiving federal funds in excess of \$500,000. Those requirements stipulate that as a condition of receiving Federal awards, non-Federal entities agree to comply with applicable laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements. (OMB) Circular A-133 Compliance Supplement Part I, 1-6.
CAUSE	Funds were requested from HUD to close the program but funds were not expended. A check was issued in order to transfer the funds from the CFP bank account to the Overnight bank account.
EFFECT	Lack of adequate internal controls results in an inability to ensure compliance with applicable requirements of Federal programs and could result in reduced funding for programs.
RECOMMENDATION	Management should ensure that a comprehensive internal control structure is designed and implemented. The body charged with governance should provide effective oversight of the internal controls.
RESPONSE	The recommendation will be adopted.

STATE OF NEW MEXICO
CITY OF LORDSBURG

EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2011

An exit conference was held on May 25, 2012 in a closed meeting with the following City officials:

City of Lordsburg

Frank Rodriguez
Albert Munoz
Robert Arvizo
Belinda Chavez

Mayor
Councilor
Housing Authority - Executive Director
City Clerk

White + Samaniego + Campbell, LLP

Luis Molina

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.

