

**State of New Mexico
City of Lordsburg**

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2012
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, 2012**

**CITY OF LORDSBURG
ELECTED OFFICIALS FY2012**

| | |
|--------------------|---------------|
| Frank M. Rodriguez | Mayor |
| Eddie Esquivel | Mayor Pro Tem |
| Irene Galvan | Councilor |
| Alex De La Garza | Councilor |
| Elias H Ruiz | Councilor |
| Ernesto Gallegos | Councilor |
| Manuel Saucedo | Councilor |

**CITY OF LORDSBURG
DEPARTMENT HEADS FY2012**

| | |
|-------------------|-----------------|
| Belinda Chavez | City Clerk |
| Theodore Castillo | Finance Officer |
| Saturnino Madero | Sheriff |
| Mark Thomas | Judge |

**LORDSBURG PUBLIC HOUSING AUTHORITY
BOARD OF COMMISSIONERS FY2012**

| | |
|----------------------|-----------------------|
| Frank M. Rodriguez | Chairman of the Board |
| Eddie Esquivel | Vice Chairman |
| Alex V. De La Garza | Commissioner |
| Elias H. Ruiz Jr. | Commissioner |
| Ernesto Gallegos | Commissioner |
| Manuel D. V. Saucedo | Commissioner |
| Irene Galvan | Commissioner |

**LORDSBURG PUBLIC HOUSING AUTHORITY
OFFICIALS FY2012**

| | |
|---------------|--------------------|
| Robert Arvizo | Executive Director |
|---------------|--------------------|

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, 2012, 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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons 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, 2012, 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 November 29, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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
November 29, 2012

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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, 2012. 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 \$29,379,624 (net assets). Of this amount, \$5,624,000 (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 \$3,216,268 during the fiscal year. During 2012 the City received more revenue than in 2011 and was able to spend less than received during the year.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$2,724,614. Of this total, \$808,751 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 \$1,761,380.

Overview of the Financial Statements

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

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 to 46 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 \$29,379,624 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 \$22,792,390 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 \$5,624,000 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 \$3,216,268. These increases are explained in the governmental activities discussion.

Governmental Activities

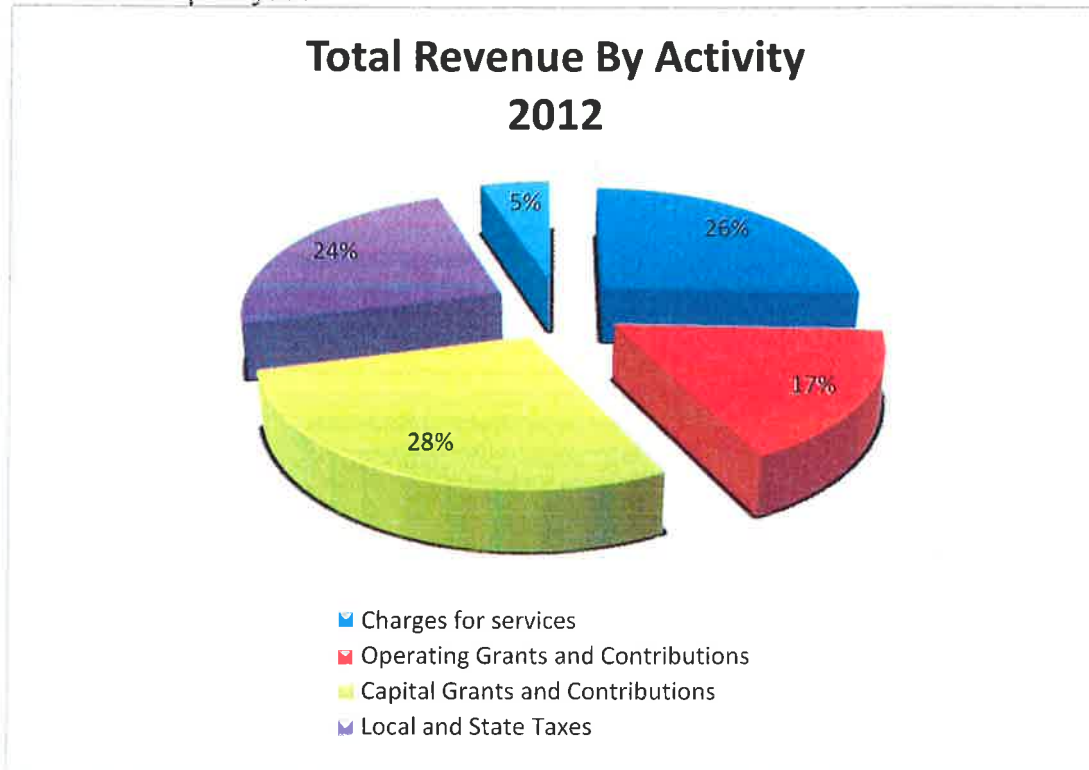
Governmental activities increased the City's net assets by \$2,951,339. Grant revenue increased \$887,450 over grant revenue in the prior year. Property taxes, gross receipts taxes and other taxes contributed \$2,034,168 for covering the \$3,909,985 program expense associated with governmental activities during FY2012.

Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The total revenues increased \$712,753 due to an increase in economic activity.

Business-Type Activities

Business-type activities increased the City's net assets by \$264,929 after transfers of \$78,073 out to various funds, compared to the prior year's increase of \$1,650,076 after transfers of \$1,075,026 in from 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 in during the current year.

Total revenues from governmental and business-type activities are summarized below. For fiscal year 2012-2011, Local and State taxes made up 24% of the total general government revenues compared to 28% of the revenues in the prior year.



**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SUMMARY OF NET ASSETS**

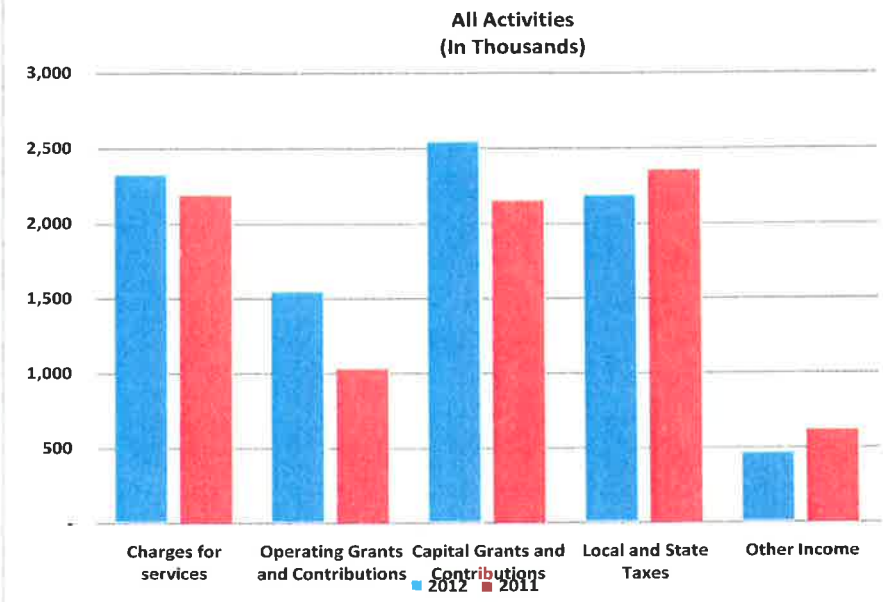
| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change 12-11 | Component Unit | |
|--|-------------------------|--------------|--------------------------|--------------|--------------|--------------|--|----------------|--------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | | 2012 | 2011 |
| ASSETS | | | | | | | | | |
| Current and other assets | \$ 2,919,633 | \$ 2,774,967 | \$ 3,816,050 | \$ 3,372,097 | \$ 6,735,683 | \$ 6,147,064 | 0.10 % | \$ 460,962 | \$ 384,578 |
| Non current assets | - | - | 193,453 | 140,357 | 193,453 | 140,357 | 0.38 % | 20,136 | 24,999 |
| Capital assets, net of accumulated depreciation | 13,649,945 | 10,840,017 | 10,008,395 | 10,262,417 | 23,658,340 | 21,102,434 | 0.12 % | 2,206,049 | 2,187,071 |
| Total assets | \$16,569,578 | \$13,614,984 | \$14,017,898 | \$13,774,871 | \$30,587,476 | \$27,389,855 | 0.12 % | \$ 2,687,147 | \$ 2,596,648 |
| LIABILITIES | | | | | | | | | |
| Current and other liabilities | \$ 253,406 | \$ 167,738 | \$ 83,693 | \$ 87,773 | \$ 337,099 | \$ 255,511 | 0.32 % | \$ 89,585 | \$ 64,804 |
| Long-term liabilities | 604,563 | 686,976 | 266,190 | 284,012 | 870,753 | 970,988 | (0.10)% | - | - |
| Total liabilities | 857,969 | 854,714 | 349,883 | 371,785 | 1,207,852 | 1,226,499 | (0.02)% | 89,585 | 64,804 |
| NET ASSETS | | | | | | | | | |
| Invested in capital assets, net of related debt | 12,986,995 | 10,095,376 | 9,805,395 | 10,044,487 | 22,792,390 | 20,139,863 | 0.13 % | 2,206,049 | 2,187,071 |
| Restricted | 963,234 | 1,038,803 | - | - | 963,234 | 1,038,803 | (0.07)% | 37,195 | 20,909 |
| Unrestricted | 1,761,380 | 1,626,091 | 3,862,620 | 3,358,599 | 5,624,000 | 4,984,690 | 0.13 % | 354,318 | 323,864 |
| Total net assets | 15,711,609 | 12,760,270 | 13,668,015 | 13,403,086 | 29,379,624 | 26,163,356 | 0.12 % | 2,597,562 | 2,531,844 |
| Total liabilities and net assets | \$16,569,578 | \$13,614,984 | \$14,017,898 | \$13,774,871 | \$30,587,476 | \$27,389,855 | 0.12 % | \$ 2,687,147 | \$ 2,596,648 |

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

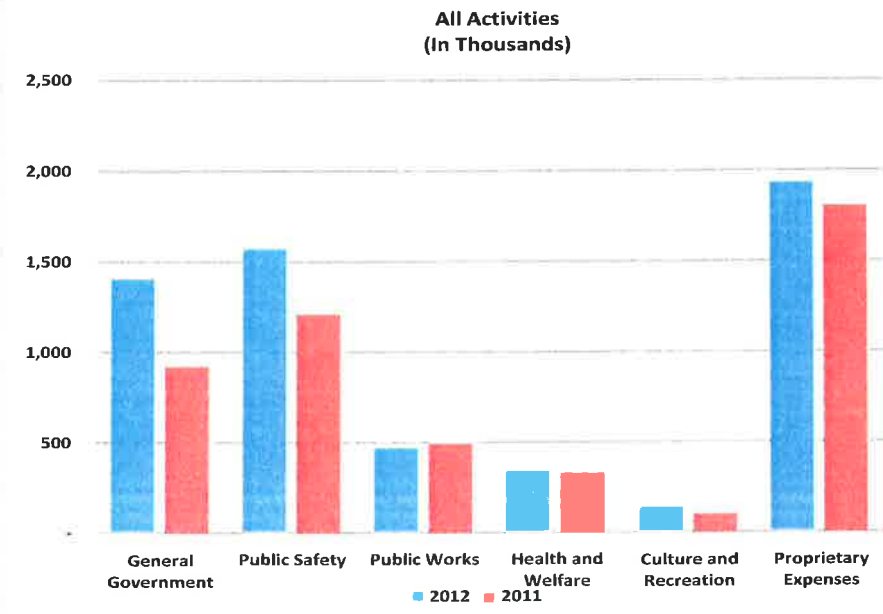
**MANAGEMENT'S DISCUSSION AND ANALYSIS
CHANGES IN NET ASSETS**

| | Governmental Activities | | Business-Type Activities | | Total | Total Percentage Change 2012-2011 | Component Unit | |
|--|-------------------------|--------------|--------------------------|--------------|--------------|--|----------------|--------------|
| | 2012 | 2011 | 2012 | 2011 | | | 2012 | 2011 |
| REVENUES | | | | | | | | |
| Program revenue: | | | | | | | | |
| Charges for services | \$ 261,335 | \$ 123,821 | \$ 2,063,010 | \$ 2,074,008 | \$ 2,197,829 | 0.06 % | \$ 260,836 | \$ 273,163 |
| Operating grant and contributions | 1,537,766 | 1,031,923 | 7,800 | 7,800 | 1,039,723 | 0.49 % | 227,250 | 194,795 |
| Capital grants and contributions | 2,542,535 | 2,160,928 | - | - | 2,542,535 | 0.18 % | 160,705 | 341,304 |
| General revenues: | | | | | | | | |
| Taxes | 2,034,168 | 2,210,425 | 150,231 | 153,838 | 2,364,263 | (0.08)% | - | - |
| Other income | 407,447 | 543,401 | 52,871 | 82,439 | 625,840 | (0.26)% | 13,544 | 2,883 |
| Total revenues | 6,783,251 | 6,070,498 | 2,273,912 | 2,318,085 | 8,388,583 | 0.08 % | 662,335 | 812,145 |
| EXPENSES | | | | | | | | |
| General government | 1,404,038 | 929,849 | - | - | 1,404,038 | 0.51 | 600,467 | 630,195 |
| Public safety | 1,569,552 | 1,218,821 | - | - | 1,218,821 | 0.29 % | - | - |
| Public works | 465,578 | 499,991 | - | - | 465,578 | (0.07)% | - | - |
| Health and welfare | 335,655 | 334,921 | - | - | 335,655 | - | - | - |
| Cultural and recreation | 135,162 | 109,488 | - | - | 135,162 | 0.23 % | - | - |
| Proprietary expenses | - | - | 1,930,910 | 1,743,035 | 1,743,035 | 0.11 % | - | - |
| Total expenses | 3,909,985 | 3,093,070 | 1,930,910 | 1,743,035 | 4,836,105 | 0.21 % | 600,467 | 630,195 |
| Changes in net assets before transfers | 2,873,266 | 2,977,428 | 343,002 | 575,050 | 3,552,478 | (0.09)% | 61,868 | 181,950 |
| Transfers | 78,073 | (1,075,026) | (78,073) | 1,075,026 | - | - | - | - |
| Extraordinary gain | - | - | - | - | - | - | 3,850 | 40,170 |
| Changes in net assets | 2,951,339 | 1,902,402 | 264,929 | 1,650,076 | 3,552,478 | (0.09)% | 65,718 | 222,120 |
| Net assets - beginning | 12,760,270 | 10,857,868 | 13,403,086 | 11,753,010 | 21,518,403 | (0.05)% | 2,531,844 | 2,309,724 |
| Net assets - ending | \$15,711,609 | \$12,760,270 | \$13,668,015 | \$13,403,086 | \$26,163,356 | 0.12 % | \$ 2,597,562 | \$ 2,531,844 |

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 \$2,724,614, a increase of \$59,720 in comparison with the prior year. The increase is primarily due to the increase in grant and tax revenue. Approximately 65% of this total amount, \$1,761,380 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, \$808,751.

Revenues for governmental functions overall totaled approximately \$6,789,432 in the fiscal year-ended June 30, 2012, which represents a increase of \$722,908 from the fiscal year-ended June 30, 2011. Expenditures for governmental functions totaled \$6,807,785. This was a increase of approximately \$2,244,962 from the fiscal year-ended June 30, 2011. In the fiscal year-ended June 30, 2012, expenditures for governmental functions exceeded revenues by approximately \$18,353.

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 \$1,761,380.

The fund balance of the City's General Fund increased \$135,289 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 \$3,862,620. The total increase in net assets for the proprietary fund was \$264,929.

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 2012, the cash and investments balance of the General Fund had decreased by \$13,583.

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, 2012 amount to \$23,658,340 (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 \$3,269,523 for governmental activities. Improvements and machinery and equipment costing \$854,257 was purchased for the City and land and construction in progress of \$2,415,266. There were no deletions in the governmental activities or in the business-type during 2012.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

Capital Assets, Net of Depreciation June 30, 2012

| | Governmental Activities | | Business - Type Activities | | Total | |
|-----------------------------------|-------------------------|---------------------|----------------------------|---------------------|---------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land and Construction in Progress | \$ 2,997,066 | \$ 589,321 | \$ 87,715 | \$ 87,715 | \$ 3,084,781 | \$ 677,036 |
| Building & Infrastructure | 9,665,295 | 9,378,060 | 9,764,578 | 10,010,311 | 19,429,873 | 19,388,371 |
| Machinery and Equipment | 987,584 | 872,636 | 156,102 | 164,391 | 1,143,686 | 1,037,027 |
| Capital Assets, Net of A/D | <u>\$13,649,945</u> | <u>\$10,840,017</u> | <u>\$10,008,395</u> | <u>\$10,262,417</u> | <u>\$23,658,340</u> | <u>\$21,102,434</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 \$22,792,390. 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, 2012

| | Governmental Activities | | Business - Type Activities | | Total | |
|----------------------|--------------------------------|-------------------|-----------------------------------|-------------------|-------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Notes Payable | \$ 97,578 | \$ 109,503 | \$ 203,000 | \$ 217,930 | \$ 300,578 | \$ 327,433 |
| Bond Payable | 565,000 | 630,000 | - | - | 565,000 | 630,000 |
| Compensated Absences | <u>25,909</u> | <u>36,856</u> | <u>9,597</u> | <u>15,429</u> | <u>35,506</u> | <u>52,285</u> |
| Total Long Term Debt | <u>\$ 688,487</u> | <u>\$ 776,359</u> | <u>\$ 212,597</u> | <u>\$ 233,359</u> | <u>\$ 901,084</u> | <u>\$ 1,009,718</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, 2012**

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 1,193,906 | \$ 946,360 | \$ 2,140,266 | \$ 453,977 |
| Investments | 1,265,362 | 2,325,887 | 3,591,249 | - |
| Accounts receivable | 260,414 | 543,803 | 804,217 | 6,985 |
| Due from other governments | 199,951 | - | 199,951 | - |
| Total current assets | 2,919,633 | 3,816,050 | 6,735,683 | 460,962 |
| NON-CURRENT ASSETS: | | | | |
| Restricted assets - cash | - | 193,453 | 193,453 | 20,136 |
| Capital assets | 18,294,425 | 12,320,238 | 30,614,663 | 5,198,186 |
| Less accumulated depreciation | (4,644,480) | (2,311,843) | (6,956,323) | (2,992,137) |
| Total assets | <u>\$ 16,569,578</u> | <u>\$ 14,017,898</u> | <u>\$ 30,587,476</u> | <u>\$ 2,687,147</u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable | \$ 133,407 | \$ 42,782 | \$ 176,189 | \$ 55,070 |
| Accrued salaries | 36,075 | 7,671 | 43,746 | - |
| Compensated absences, current portion | 12,954 | 4,799 | 17,753 | 3,090 |
| Due to other governments | - | - | - | 17,375 |
| Current portion of long-term debt | 70,970 | 28,441 | 99,411 | - |
| Total current liabilities | 253,406 | 83,693 | 337,099 | 75,535 |
| NON-CURRENT LIABILITIES: | | | | |
| Compensated absences, net of current portion | 12,955 | 4,798 | 17,753 | - |
| Customer deposits | - | 86,833 | 86,833 | 14,050 |
| Long-term debt, net of current portion | 591,608 | 174,559 | 766,167 | - |
| Total liabilities | 857,969 | 349,883 | 1,207,852 | 89,585 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 12,986,995 | 9,805,395 | 22,792,390 | 2,206,049 |
| Restricted for: | | | | |
| Reserved for capital projects funds | 131,626 | - | 131,626 | 37,195 |
| Reserved for special revenue funds | 677,125 | - | 677,125 | - |
| Reserved for debt services | 154,483 | - | 154,483 | - |
| Unrestricted | 1,761,380 | 3,862,620 | 5,624,000 | 354,318 |
| Total net assets | <u>\$ 15,711,609</u> | <u>\$ 13,668,015</u> | <u>\$ 29,379,624</u> | <u>\$ 2,597,562</u> |

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

| | Program Revenues | | | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---|-----------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Total | Component Unit |
| | | | | | Governmental Activities | Business-type Activities | | | |
| FUNCTIONAL/PROGRAMS: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 1,404,038 | \$ 164,060 | \$ 1,537,766 | \$ - | \$ 297,788 | \$ - | \$ 297,788 | \$ - | - |
| Public safety | 1,569,552 | 60,150 | - | - | (1,509,402) | - | (1,509,402) | - | - |
| Public works | 465,578 | - | - | 2,542,535 | 2,076,957 | - | 2,076,957 | - | - |
| Culture and recreation | 335,655 | 24,809 | - | - | (310,846) | - | (310,846) | - | - |
| Health and welfare | 135,162 | 12,316 | - | - | (122,846) | - | (122,846) | - | - |
| Total governmental activities | 3,909,985 | 261,335 | 1,537,766 | 2,542,535 | 431,651 | - | 431,651 | - | - |
| Business-type activities: | | | | | | | | | |
| Joint Utilities | | | | | | | | | |
| Water | 703,381 | 764,955 | - | - | - | 61,574 | 61,574 | - | - |
| Gas | 663,638 | 736,077 | - | - | - | 72,439 | 72,439 | - | - |
| Sewer | 245,283 | 236,904 | 7,800 | - | - | (579) | (579) | - | - |
| Solid waste | 318,608 | 325,074 | - | - | - | 6,466 | 6,466 | - | - |
| Total business-type activities | 1,930,910 | 2,063,010 | 7,800 | - | - | 139,900 | 139,900 | - | - |
| Total primary government | 5,840,895 | 2,324,345 | 1,545,566 | 2,542,535 | 431,651 | 139,900 | 571,551 | - | - |
| Component Unit | 600,467 | 260,836 | 227,250 | 160,705 | - | - | - | - | 48,324 |
| General Revenues: | | | | | | | | | |
| Taxes | | | | | | | | | |
| Local taxes | | | | | 579,780 | 150,231 | 730,011 | - | - |
| State shared taxes | | | | | 1,454,388 | - | 1,454,388 | - | - |
| Small cities assistance | | | | | 35,000 | - | 35,000 | - | - |
| Licenses and permits | | | | | 23,389 | - | 23,389 | - | - |
| Fines and forfeitures | | | | | 210,736 | - | 210,736 | - | - |
| Interest | | | | | 987 | 839 | 1,826 | 1,063 | - |
| Miscellaneous | | | | | 137,335 | 52,032 | 189,367 | 12,481 | - |
| Transfers | | | | | 78,073 | (78,073) | - | - | 3,850 |
| Gain from sale of property | | | | | - | - | - | - | - |
| Total general revenues and transfers | | | | | 2,519,688 | 125,029 | 2,644,717 | 17,394 | - |
| Changes in net assets | | | | | 2,951,339 | 264,929 | 3,216,268 | 65,718 | - |
| Net assets, beginning of year | | | | | 12,760,270 | 13,403,086 | 26,163,356 | 2,531,844 | - |
| Net assets, end of year | | | | | 15,711,609 | 13,668,015 | 29,379,624 | 2,597,562 | - |

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, 2012**

| | General Fund | Lodgers Tax Fund | CDBG Funds | Total Nonmajor Funds | Total Governmental Funds |
|-------------------------------------|-------------------------|---------------------------------|-----------------------|-------------------------------------|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 659,824 | \$ 68,603 | \$ - | \$ 465,479 | \$ 1,193,906 |
| Investments | 885,414 | 242,014 | - | 137,934 | 1,265,362 |
| Accounts receivable | 197,874 | 26,370 | - | 36,170 | 260,414 |
| Due from other governments | 199,951 | - | - | - | 199,951 |
| | <u>1,943,063</u> | <u>336,987</u> | <u>-</u> | <u>639,583</u> | <u>2,919,633</u> |
| Total assets | <u>\$ 1,943,063</u> | <u>\$ 336,987</u> | <u>\$ -</u> | <u>\$ 639,583</u> | <u>\$ 2,919,633</u> |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 125,058 | \$ - | \$ - | \$ 8,349 | \$ 133,407 |
| Accrued salaries | 31,088 | - | - | 4,987 | 36,075 |
| Deferred revenue | 25,537 | - | - | - | 25,537 |
| | <u>181,683</u> | <u>-</u> | <u>-</u> | <u>13,336</u> | <u>195,019</u> |
| Total liabilities | 181,683 | - | - | 13,336 | 195,019 |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Capital projects | - | - | - | 131,626 | 131,626 |
| Special revenue funds | - | 336,987 | - | 340,138 | 677,125 |
| Debt service | - | - | - | 154,483 | 154,483 |
| Unassigned | 1,761,380 | - | - | - | 1,761,380 |
| | <u>1,761,380</u> | <u>336,987</u> | <u>-</u> | <u>626,247</u> | <u>2,724,614</u> |
| Total fund balances | <u>1,761,380</u> | <u>336,987</u> | <u>-</u> | <u>626,247</u> | <u>2,724,614</u> |
| Total liabilities and fund balances | <u>\$ 1,943,063</u> | <u>\$ 336,987</u> | <u>\$ -</u> | <u>\$ 639,583</u> | <u>\$ 2,919,633</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, 2012**

Total fund balances - governmental funds **\$ 2,724,614**

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 | 18,294,425 | |
| Accumulated depreciation | <u>(4,644,480)</u> | 13,649,945 |

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

| | | |
|----------------|--|--------|
| Property taxes | | 25,537 |
|----------------|--|--------|

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 | 662,578 | |
| Compensated absences | <u>25,909</u> | <u>(688,487)</u> |

Total net assets - governmental activities **\$ 15,711,609**

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, 2012**

| | General Fund | Lodgers Tax Fund | CDBG Funds | Total Nonmajor Funds | Total Governmental Funds |
|---|-------------------------|-----------------------------|-----------------------|-------------------------------------|---|
| REVENUES | | | | | |
| Local taxes | \$ 109,089 | \$ 210,988 | \$ - | \$ 265,884 | \$ 585,961 |
| State shared taxes | 1,454,388 | - | - | - | 1,454,388 |
| Licenses and permits | 23,389 | - | - | - | 23,389 |
| Charges for services | 164,060 | - | - | 97,275 | 261,335 |
| Fines and forfeitures | 210,736 | - | - | - | 210,736 |
| Miscellaneous revenue | 134,583 | - | - | 2,752 | 137,335 |
| Small cities assistance | 35,000 | - | - | - | 35,000 |
| Joint power agreement | 175,027 | - | - | - | 175,027 |
| State allocation | 115,000 | - | - | - | 115,000 |
| Federal and state grants | 1,147,154 | - | 525,399 | 2,117,721 | 3,790,274 |
| Interest income | 694 | - | - | 293 | 987 |
| Total revenues | 3,569,120 | 210,988 | 525,399 | 2,483,925 | 6,789,432 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,182,437 | 106,395 | - | 37 | 1,288,869 |
| Public safety | 1,224,823 | - | - | 252,891 | 1,477,714 |
| Public works | 103,196 | - | - | 219,856 | 323,052 |
| Culture and recreation | 64,723 | - | - | 160,057 | 224,780 |
| Health and welfare | 51,802 | - | - | 83,360 | 135,162 |
| Capital outlay | 641,610 | - | 529,560 | 2,111,044 | 3,282,214 |
| Principal | - | - | - | 65,000 | 65,000 |
| Interest | - | - | - | 10,994 | 10,994 |
| Total expenditures | 3,268,591 | 106,395 | 529,560 | 2,903,239 | 6,807,785 |
| Excess (deficiency) of revenues over expenditures | 300,529 | 104,593 | (4,161) | (419,314) | (18,353) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 81,112 | 132,102 | 4,161 | 382,335 | 599,710 |
| Transfers out | (246,352) | (245,254) | - | (30,031) | (521,637) |
| Total other financing source (uses) | (165,240) | (113,152) | 4,161 | 352,304 | 78,073 |
| Net change in fund balance | 135,289 | (8,559) | - | (67,010) | 59,720 |
| Fund balance, beginning of year | 1,626,091 | 345,546 | - | 693,257 | 2,664,894 |
| Fund balance, end of year | \$ 1,761,380 | \$ 336,987 | \$ - | \$ 626,247 | \$ 2,724,614 |

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, 2012**

Net change in fund balances - total governmental funds \$ 59,720

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 | 3,269,523 | |
| Transferred to business-type activities | (7,521) | |
| Depreciation expense | <u>(452,074)</u> | 2,809,928 |

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 76,925

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. (6,181)

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). 10,947

Change in net assets of governmental activities \$ 2,951,339

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, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------------------|---|
| REVENUES: | | | | |
| Local taxes | \$ 845,232 | \$ 845,232 | \$ 109,089 | \$ (736,143) |
| State shared taxes | 794,153 | 794,153 | 1,454,388 | 660,235 |
| Licenses and permits | 11,900 | 11,900 | 23,389 | 11,489 |
| Charges for services | 67,500 | 67,500 | 164,060 | 96,560 |
| Fines and forfeitures | 171,067 | 171,067 | 210,736 | 39,669 |
| Miscellaneous revenue | 423,989 | 423,989 | 309,610 | (114,379) |
| Small cities assistance | 146,361 | 146,361 | 35,000 | (111,361) |
| Federal and state grants | 739,285 | 739,285 | 1,064,280 | 324,995 |
| Interest income | - | - | 694 | 694 |
| Total revenues | <u>3,199,487</u> | <u>3,199,487</u> | <u>3,371,246</u> | <u>171,759</u> |
| EXPENDITURES: | | | | |
| Current | | | | |
| General government | 1,734,004 | 1,734,004 | 1,026,291 | 707,713 |
| Public safety | 1,010,731 | 1,010,731 | 1,224,823 | (214,092) |
| Public works | 202,596 | 202,596 | 103,196 | 99,400 |
| Culture and recreation | 175,103 | 175,103 | 64,723 | 110,380 |
| Health and welfare | 72,232 | 72,232 | 51,802 | 20,430 |
| Capital outlay | <u>273,903</u> | <u>273,903</u> | <u>641,610</u> | <u>(367,707)</u> |
| Total expenditures | <u>3,468,569</u> | <u>3,468,569</u> | <u>3,112,445</u> | <u>356,124</u> |
| Excess (deficiency) of revenues over expenditures | (269,082) | (269,082) | 258,801 | 527,883 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 81,112 | 81,112 | 81,112 | - |
| Transfers out | <u>(219,352)</u> | <u>(219,352)</u> | <u>(246,352)</u> | <u>(27,000)</u> |
| Total other financing sources (uses) | <u>(138,240)</u> | <u>(138,240)</u> | <u>(165,240)</u> | <u>(27,000)</u> |
| Net changes in fund balance | (407,322) | (407,322) | 93,561 | 500,883 |
| Fund balance - beginning of the year | <u>1,626,091</u> | <u>1,626,091</u> | <u>1,626,091</u> | <u>1,405,400</u> |
| Fund balance - end of the year | <u>\$ 1,218,769</u> | <u>\$ 1,218,769</u> | <u>\$ 1,719,652</u> | <u>\$ 1,906,283</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | \$ 93,561 | |
| Net revenue accruals | | | 197,874 | |
| Net expenditure accruals | | | <u>(156,146)</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ 135,289</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, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Plosive (Negative) |
|---|----------------------------|-------------------------|--|--|
| REVENUES: | | | | |
| Local taxes | \$ 220,729 | \$ 220,729 | \$ 184,618 | \$ (36,111) |
| Total revenues | 220,729 | 220,729 | 184,618 | (36,111) |
| EXPENDITURES: | | | | |
| Current | | | | |
| General government | 89,900 | 89,900 | 106,395 | (16,495) |
| Total expenditures | 89,900 | 89,900 | 106,395 | (16,495) |
| Excess (deficiency) of revenues over expenditures | 130,829 | 130,829 | 78,223 | (52,606) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 98,102 | 98,102 | 132,102 | 34,000 |
| Transfers out | (245,254) | (245,254) | (245,254) | - |
| Total other financing sources (uses) | (147,152) | (147,152) | (113,152) | 34,000 |
| Net changes in fund balance | (16,323) | (16,323) | (34,929) | (18,606) |
| Fund balance - beginning of the year | 345,546 | 345,546 | 345,546 | (144,146) |
| Fund balance - end of the year | <u>\$ 151,637</u> | <u>\$ 151,637</u> | <u>\$ 151,637</u> | <u>\$ (338,055)</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | \$ (34,929) | |
| Net revenue accruals | | | 26,370 | |
| Net change in fund balance GAAP basis | | | <u>\$ (8,559)</u> | |

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

PROPRIETARY FUND

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND - JOINT UTILITIES
JUNE 30, 2012**

ASSETS

CURRENT ASSETS:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 946,360 |
| Investments | 2,325,887 |
| Accounts receivable | <u>543,803</u> |

Total current assets 3,816,050

| | |
|-------------------------------|--------------------|
| Restricted assets - cash | 193,453 |
| Capital assets | 12,320,238 |
| Less accumulated depreciation | <u>(2,311,843)</u> |

Total non-current assets 10,201,848

Total assets \$ 14,017,898

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|---|---------------|
| Accounts payable | \$ 42,782 |
| Accrued salaries | 7,671 |
| Compensated absences - current portion | 4,798 |
| Revenue bonds payable - current portion | <u>28,441</u> |

Total current liabilities 83,692

| | |
|---|----------------|
| Customer deposits | 86,833 |
| Compensated absences | 4,799 |
| Revenue bonds payable - long-term portion | <u>174,559</u> |

Total liabilities 349,883

NET ASSETS

| | |
|---|------------------|
| Invested in capital assets, net of related debt | 9,805,395 |
| Unrestricted | <u>3,862,620</u> |

Total net assets 13,668,015

Total liabilities and net assets \$ 14,017,898

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, 2012**

| | |
|-------------------------------|----------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 2,070,810 |
| Gross receipts tax municipal | 150,231 |
| Miscellaneous | <u>52,032</u> |
| Total operating revenues | 2,273,073 |
| OPERATING EXPENSES | |
| Personnel services | 429,976 |
| Other operating expenses | 1,195,242 |
| Depreciation expense | <u>305,692</u> |
| Total operating expenses | <u>1,930,910</u> |
| Operating income | 342,163 |
| NON OPERATING REVENUES | |
| Interest income | <u>839</u> |
| Total non operating revenues | 839 |
| OTHER FINANCING SOURCES | |
| Transfers in | 162,682 |
| Transfers out | <u>(240,755)</u> |
| Total transfers | <u>(78,073)</u> |
| Change in net assets | 264,929 |
| Net assets, beginning of year | <u>13,403,086</u> |
| Net assets, end of year | <u>\$ 13,668,015</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, 2012**

| | |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from agencies and customers | \$ 2,246,788 |
| Cash used for salaries and operating expenses | <u>(1,632,190)</u> |
| Net cash provided by operating activities | 614,598 |
| Cash flows from non-capital activities and related financing activities: | |
| Net transfers | <u>(78,073)</u> |
| Net cash used in non-capital activities and related financing activities | (78,073) |
| Cash flows from capital activities and related financing activities: | |
| Acquisition of capital assets | (51,670) |
| Principal payments on capital debt | <u>(14,930)</u> |
| Net cash used in capital activities and related financing activities | (66,600) |
| Cash flows from investing activities: | |
| Interest income | 839 |
| Cash reclassified as investment | <u>(43,026)</u> |
| Net cash used in investing activities | <u>(42,187)</u> |
| Net increase in cash and cash equivalents | 427,738 |
| Cash and cash equivalents - beginning | <u>712,075</u> |
| Cash and cash equivalents - ending | <u>\$ 1,139,813</u> |
| SUPPLEMENTARY INFORMATION: | |
| Cash and cash equivalents | \$ 946,360 |
| Restricted cash | <u>193,453</u> |
| Total cash and cash equivalents | <u>\$ 1,139,813</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 342,163 |
| Adjustments to operating income to net cash used in operating activities: | |
| Depreciation | 305,692 |
| Changes in net assets and liabilities: | |
| Accounts receivables | (26,285) |
| Accounts payable | (3,102) |
| Accrued salaries | 1,937 |
| Compensated absences | (5,832) |
| Customer deposits | <u>25</u> |
| Net cash provided by operating activities | <u>\$ 614,598</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, 2012**

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 (GAS B) 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. 3 I, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 3 I, 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.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Village 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, 2012 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, 2012, the amount of cash reported on the financial statements differs from the amount on deposit with the financial institution because of transactions in transit and outstanding checks. A summary of the reconciliation is as follows:

| | <u>Amount Per Bank</u> | <u>Plus DIT</u> | <u>Outstanding Checks</u> | <u>Balance Per Books</u> |
|--------------|----------------------------|-----------------|-------------------------------|------------------------------|
| Western Bank | \$ 6,514,485 | \$ 9,502 | \$ 599,019 | <u>\$ 5,924,968</u> |

Statement of Net Assets:

| | |
|-----------------|---------------------|
| Cash | \$ 2,140,266 |
| Restricted cash | 193,453 |
| Investments | 3,591,249 |
| Cash overdraft | - |
| Total | <u>\$ 5,924,968</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, 2012 | \$ 6,514,485 |
| Less FDIC Insurance | <u>250,000</u> |
| Uninsured Public Funds | 6,264,485 |
| 50% Collateral Requirements (Section 6-10-17 NMSA-1978) | 3,132,243 |
| Pledged Securities | <u>3,078,905</u> |
| Over (Under) Collateralized | <u>\$ (53,338)</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, 2012, \$5,924,968 of the City's bank balance of \$2,792,725 was exposed to custodial credit risk as follows:

| | |
|--|---------------------|
| Uninsured and collateral held by pledging bank's trust department not in the City's name | \$ 3,132,243 |
| Uninsured and uncollateralized | <u>2,792,725</u> |
| Total | <u>\$ 5,924,968</u> |

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012, consist of the following:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---------------------|------------------------------------|-------------------------------------|-------------------|
| Accounts receivable | <u>\$ 260,414</u> | <u>\$ 543,803</u> | <u>\$ 804,217</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, 2012, 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, 2011 | Additions | Deletions | Transfers | Balance June 30, 2012 |
|--|-----------------------------|---------------------|-------------|-------------------|-----------------------------|
| <i>Government activities:</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 503,769 | \$ - | \$ - | \$ - | \$ 503,769 |
| Construction in progress | <u>85,552</u> | <u>2,415,266</u> | <u>-</u> | <u>(7,521)</u> | <u>2,493,297</u> |
| Total | <u>589,321</u> | <u>2,415,266</u> | <u>-</u> | <u>(7,521)</u> | <u>2,997,066</u> |
| Other capital assets being depreciated | | | | | |
| Buildings | 4,490,661 | 25,608 | - | - | 4,516,269 |
| Improvements | 3,282,451 | - | - | - | 3,282,451 |
| Infrastructure | 4,157,152 | 545,255 | - | - | 4,702,407 |
| Machinery and equipment | <u>2,512,838</u> | <u>283,394</u> | <u>-</u> | <u>-</u> | <u>2,796,232</u> |
| Total | <u>14,443,102</u> | <u>854,257</u> | <u>-</u> | <u>-</u> | <u>15,297,359</u> |
| Accumulated depreciation | | | | | |
| Buildings | 914,087 | 95,676 | - | - | 1,009,763 |
| Improvements | 1,202,431 | 144,954 | - | - | 1,347,385 |
| Infrastructure | 435,686 | 42,998 | - | - | 478,684 |
| Machinery and equipment | <u>1,640,202</u> | <u>168,446</u> | <u>-</u> | <u>-</u> | <u>1,808,648</u> |
| Total A/D | <u>4,192,406</u> | <u>452,074</u> | <u>-</u> | <u>-</u> | <u>4,644,480</u> |
| Total capital assets | <u>\$ 10,840,017</u> | <u>\$ 2,817,449</u> | <u>\$ -</u> | <u>\$ (7,521)</u> | <u>\$ 13,649,945</u> |

Depreciation expense for the year ended June 30, 2012 was charged as follows:

| | |
|----------------------------|-------------------|
| General government | \$ 106,835 |
| Public safety | 91,838 |
| Public works | 142,526 |
| Culture and recreation | <u>110,875</u> |
| Total depreciation expense | <u>\$ 452,074</u> |

| | Balance June 30, 2011 | Additions | Deletions | Transfers | Balance June 30, 2012 |
|--------------------------------------|--------------------------------------|------------------|------------------|------------------|--------------------------------------|
| <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 | 8,441,945 | - | - | 7,521 | 8,449,466 |
| Machinery and equipment | 906,970 | 44,149 | - | - | 951,119 |
| Total | 12,180,853 | 44,149 | - | 7,521 | 12,232,523 |
| Accumulated depreciation | | | | | |
| Buildings | 6,891 | 530 | - | - | 7,421 |
| Improvements | 468,404 | 140,065 | - | - | 608,469 |
| Utility system | 788,277 | 112,659 | - | - | 900,936 |
| Machinery and equipment | 742,579 | 52,438 | - | - | 795,017 |
| Total A/D | 2,006,151 | 305,692 | - | - | 2,311,843 |
| Total capital assets | \$ 10,262,417 | \$ (261,543) | \$ - | \$ 7,521 | \$ 10,008,395 |

Depreciation expense relating to business-like activities for the year-ended June 30, 2012 totaled \$305,692.

7. LONG TERM DEBT

During the year-end June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

| | Balance 06/30/11 | Additions | Reductions | Balance 06/30/12 | Due Within One Year |
|----------------------------|-----------------------------|------------------|-------------------|-----------------------------|------------------------------------|
| <i>Governmental Funds:</i> | | | | | |
| Hidalgo Medical Center | - | - | - | - | - |
| 2001 Tax Bond Refunding | 630,000 | - | 65,000 | 565,000 | 65,000 |
| Water Fluoride Project | 77,830 | - | 8,476 | 69,354 | 4,243 |
| Water Project NMFA | 31,673 | - | 3,449 | 28,224 | 1,727 |
| Compensated absences | 36,856 | 25,909 | 36,856 | 25,909 | 12,954 |
| Total | \$ 776,359 | \$ 25,909 | \$ 113,781 | \$ 688,487 | \$ 83,924 |

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

| | Balance 6/30/11. | Additions | Reductions | Balance 06/30/12 | Due Within One Year |
|--------------------------|-----------------------------|------------------|-------------------|-----------------------------|------------------------------------|
| <i>Proprietary Fund:</i> | | | | | |
| NM Environment Dept | \$ 217,930 | \$ - | \$ 14,930 | \$ 203,000 | \$ 28,441 |
| Compensated absences | <u>15,429</u> | <u>9,597</u> | <u>15,429</u> | <u>9,597</u> | <u>4,798</u> |
| Total | <u>\$ 233,359</u> | <u>\$ 9,597</u> | <u>\$ 30,359</u> | <u>\$ 212,597</u> | <u>\$ 33,239</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 |
|--------------------------------|-------------------|------------------|-------------------|
| 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 | 70,000 | 6,917 | 76,917 |
| 2018-2020 | <u>220,000</u> | <u>11,094</u> | <u>231,094</u> |
| | <u>\$ 565,000</u> | <u>\$ 56,108</u> | <u>\$ 621,108</u> |

Water Fluoride Project

During fiscal year 2010, the City entered into a loan agreement with New Mexico Finance Authority to finance the Drinking Water Fluoride Project. Interest is payable annually on June 1 commencing June 1, 2010. Interest rate is zero but there is an administration fee of .25%. Principal payments vary according to the following amortization schedule:

| Year Ending June 30 | Principal | Interest/Fees | Total |
|--------------------------------|------------------|----------------------|------------------|
| 2013 | \$ 4,243 | \$ 173 | \$ 4,416 |
| 2014 | 4,254 | 163 | 4,417 |
| 2015 | 4,264 | 152 | 4,416 |
| 2016 | 4,275 | 141 | 4,416 |
| 2017 | 4,286 | 131 | 4,417 |
| 2018-2022 | 21,591 | 492 | 22,083 |
| 2023-2027 | 21,863 | 220 | 22,083 |
| 2028-2029 | <u>4,578</u> | <u>11</u> | <u>4,589</u> |
| | <u>\$ 69,354</u> | <u>\$ 1,483</u> | <u>\$ 70,837</u> |

Water Project - NMFA

During fiscal year 2010, the City entered into a loan agreement with New Mexico Finance Authority to finance the Drinking Water Fluoride Project. Interest is payable annually on June 1 commencing June 1, 2010. Interest rate is zero but there is an administration fee of .25%. Principal payments vary according to the following amortization schedule:

| Year Ending June 30 | Principal | Interest/Fees | Total |
|------------------------|------------------|---------------|------------------|
| 2013 | \$ 1,727 | \$ 71 | \$ 1,798 |
| 2014 | 1,731 | 66 | 1,797 |
| 2015 | 1,735 | 62 | 1,797 |
| 2016 | 1,740 | 58 | 1,798 |
| 2017 | 1,744 | 53 | 1,797 |
| 2018-2022 | 8,787 | 200 | 8,987 |
| 2023-2027 | 8,897 | 89 | 8,986 |
| 2028-2029 | 1,863 | 5 | 1,868 |
| | <u>\$ 28,224</u> | <u>\$ 604</u> | <u>\$ 28,828</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 |
|------------------------|-------------------|------------------|-------------------|
| 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 | 32,971 | 2,008 | 34,979 |
| 2018 | 47,471 | 1,424 | 48,895 |
| | <u>\$ 203,000</u> | <u>\$ 20,792</u> | <u>\$ 223,792</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, 2012, 2011 and 2010 were \$92,347, \$84,037, and \$79,224, 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, 2012.

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, 2012 are as follows:

| Fund | Transfer In | Transfer Out |
|---------------------------|--------------------|---------------------|
| General | \$ 81,112 | \$ 246,352 |
| Lodgers Tax | 132,102 | 245,254 |
| Cemetery | 55,000 | - |
| Recreation | 81,052 | 1,000 |
| Special Events | 68,300 | 2,000 |
| Road | - | 27,031 |
| CDBG Water Project 2007 | 4,161 | - |
| CO-OP 2007 2008 | 22,031 | - |
| Waste Water Reuse Project | 8,800 | - |
| Debt Service | 147,152 | - |
| Enterprise funds | 162,682 | 240,755 |
| Totals | \$ 762,392 | \$ 762,392 |

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 \$2,057,711 as follows:

| Fund | Budget Expenses | Actual Expenses | Difference |
|--------------------|------------------------|------------------------|----------------------|
| Lodgers Tax | \$ 89,900 | \$ 106,395 | \$ (16,495) |
| Cemetery | 76,505 | 82,154 | (5,649) |
| Waste Water Reuse | - | 2,025,121 | (2,025,121) |
| CDBG Water Project | 519,114 | 529,560 | (10,446) |
| Totals | \$ 685,519 | \$ 2,743,230 | \$(2,057,711) |

14. **BUDGETED DEFICIT FUND BALANCE**

The following funds budgeted a deficit fund balance as of June 30, 2012:

| | |
|-----------------|------------|
| General | \$ 269,082 |
| Road | 10,691 |
| Fire | 193,909 |
| Law Enforcement | 12,219 |
| Cemetery | 28,905 |
| Special Events | 98,361 |
| Joint Utilities | 261,212 |

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)

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, 2012**

| | Special Revenue Funds | Capital Project Funds | Debt Service Funds | Total |
|-------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 179,370 | \$ 131,626 | \$ 154,483 | \$ 465,479 |
| Investment | 137,934 | - | - | 137,934 |
| Accounts receivable | 36,170 | - | - | 36,170 |
| Total assets | <u>\$ 353,474</u> | <u>\$ 131,626</u> | <u>\$ 154,483</u> | <u>\$ 639,583</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 8,349 | \$ - | \$ - | \$ 8,349 |
| Accrued salaries | 4,987 | - | - | 4,987 |
| Total liabilities | 13,336 | - | - | 13,336 |
| Fund balance: | | | | |
| Reserved for capital projects funds | - | 131,626 | - | 131,626 |
| Reserved for special revenue funds | 340,138 | - | - | 340,138 |
| Reserved for debt service | - | - | 154,483 | 154,483 |
| Total fund balance | <u>340,138</u> | <u>131,626</u> | <u>154,483</u> | <u>626,247</u> |
| Total liabilities and fund balances | <u>\$ 353,474</u> | <u>\$ 131,626</u> | <u>\$ 154,483</u> | <u>\$ 639,583</u> |

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE**

**NON-MAJOR GOVERNMENTAL TYPES
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Special Revenue Funds</u> | <u>Capital Project Funds</u> | <u>Debt Service Funds</u> | <u>Total</u> |
|---|--------------------------------------|--------------------------------------|-----------------------------------|-------------------|
| REVENUES | | | | |
| Local taxes | \$ 265,884 | \$ - | \$ - | \$ 265,884 |
| Federal and state grants | 100,585 | 2,017,136 | - | 2,117,721 |
| Charges for services | 97,275 | - | - | 97,275 |
| Interest income | 293 | - | - | 293 |
| Miscellaneous income | 2,752 | - | - | 2,752 |
| | <u>466,789</u> | <u>2,017,136</u> | <u>-</u> | <u>2,483,925</u> |
| Total revenues | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | 4 | 33 | 37 |
| Public safety | 252,891 | - | - | 252,891 |
| Public works | 219,856 | - | - | 219,856 |
| Culture and recreation | 160,057 | - | - | 160,057 |
| Health and welfare | 83,360 | - | - | 83,360 |
| Capital outlay | - | 2,111,044 | - | 2,111,044 |
| Debt Service: | | | | |
| Principal | - | - | 65,000 | 65,000 |
| Interest | - | - | 10,994 | 10,994 |
| | <u>716,164</u> | <u>2,111,048</u> | <u>76,027</u> | <u>2,903,239</u> |
| Total expenditures | | | | |
| Deficiency of revenues under expenditures | (249,375) | (93,912) | (76,027) | (419,314) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 204,352 | 30,831 | 147,152 | 382,335 |
| Transfers out | (30,031) | - | - | (30,031) |
| | <u>174,321</u> | <u>30,831</u> | <u>147,152</u> | <u>352,304</u> |
| Total other financing sources (uses) | | | | |
| Net change in fund balance | (75,054) | (63,081) | 71,125 | (67,010) |
| Fund balance, beginning of year | 415,192 | 194,707 | 83,358 | 693,257 |
| Fund balance, end of year | <u>\$ 340,138</u> | <u>\$ 131,626</u> | <u>\$ 154,483</u> | <u>\$ 626,247</u> |

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

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
CITY OF LORDSBURG

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2012

| | Road | Fire | Corrections | Law Enforcement | Cemetery | Recreation | Special Events Center | Total |
|-------------------------------------|-----------|-----------|-------------|-----------------|-----------|------------|-----------------------|------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 33,048 | \$ 88,326 | \$ 18,045 | \$ 12,123 | \$ 550 | \$ 244 | \$ 27,034 | \$ 179,370 |
| Investment | 29,758 | - | - | - | 90,552 | 17,624 | - | 137,934 |
| Accounts receivable | 36,170 | - | - | - | - | - | - | 36,170 |
| Total assets | \$ 98,976 | \$ 88,326 | \$ 18,045 | \$ 12,123 | \$ 91,102 | \$ 17,868 | \$ 27,034 | \$ 353,474 |
| LIABILITIES AND FUND BALANCE | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 1,430 | \$ 1,489 | \$ - | \$ 662 | \$ 283 | \$ 4,174 | \$ 311 | \$ 8,349 |
| Accrued salaries | 1,260 | - | - | - | 923 | 2,410 | 394 | 4,987 |
| Total liabilities | 2,690 | 1,489 | - | 662 | 1,206 | 6,584 | 705 | 13,336 |
| Fund balance | | | | | | | | |
| Reserved for special revenue funds | 96,286 | 86,837 | 18,045 | 11,461 | 89,896 | 11,284 | 26,329 | 340,138 |
| Total fund balance | 96,286 | 86,837 | 18,045 | 11,461 | 89,896 | 11,284 | 26,329 | 340,138 |
| Total liabilities and fund balance | \$ 98,976 | \$ 88,326 | \$ 18,045 | \$ 12,123 | \$ 91,102 | \$ 17,868 | \$ 27,034 | \$ 353,474 |

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

**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, 2012**

| | Road | Fire | Corrections | Law Enforcement | Cemetery | Recreation | Special Events Center | Total |
|---|------------|-----------|-------------|-----------------|-----------|------------|-----------------------|------------|
| REVENUES | | | | | | | | |
| Local taxes | \$ 265,881 | \$ - | \$ - | \$ - | \$ - | \$ 3 | \$ - | \$ 265,884 |
| Federal and state grants | - | 73,985 | - | 26,600 | - | - | - | 100,585 |
| Charges for services | - | - | 60,150 | - | 12,294 | 8,661 | 16,170 | 97,275 |
| Interest income | - | 293 | - | - | - | - | - | 293 |
| Miscellaneous revenue | - | 2,663 | - | - | - | 89 | - | 2,752 |
| Total revenues | 265,881 | 76,941 | 60,150 | 26,600 | 12,294 | 8,753 | 16,170 | 466,789 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Public safety | - | 180,758 | 45,842 | 26,291 | - | - | - | 252,891 |
| Public works | 219,856 | - | - | - | - | - | - | 219,856 |
| Culture and recreation | - | - | - | - | - | 106,741 | 53,316 | 160,057 |
| Health and welfare | - | - | - | - | 83,360 | - | - | 83,360 |
| Total expenditures | 219,856 | 180,758 | 45,842 | 26,291 | 83,360 | 106,741 | 53,316 | 716,164 |
| Excess (deficiency) of revenues over (under) expenditures | 46,025 | (103,817) | 14,308 | 309 | (71,066) | (97,988) | (37,146) | (249,375) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Operating transfers in | - | - | - | - | 55,000 | 81,052 | 68,300 | 204,352 |
| Operating transfers out | (27,031) | - | - | - | - | (1,000) | (2,000) | (30,031) |
| Total other financing source (uses) | (27,031) | - | - | - | 55,000 | 80,052 | 66,300 | 174,321 |
| Net change in fund balance | 18,994 | (103,817) | 14,308 | 309 | (16,066) | (17,936) | 29,154 | (75,054) |
| Fund balance, beginning of year | 77,292 | 190,654 | 3,737 | 11,152 | 105,962 | 29,220 | (2,825) | 415,192 |
| Fund balance, end of year | \$ 96,286 | \$ 86,837 | \$ 18,045 | \$ 11,461 | \$ 89,896 | \$ 11,284 | \$ 26,329 | \$ 340,138 |

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, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|---------------------------------|---|
| REVENUES: | | | | |
| State shared taxes | \$ 275,706 | \$ 275,706 | \$ 229,711 | \$ (45,995) |
| Total revenues | 275,706 | 275,706 | 229,711 | (45,995) |
| EXPENDITURES: | | | | |
| Current | | | | |
| Public works | 286,397 | 286,397 | 217,166 | 69,231 |
| Total expenditures | 286,397 | 286,397 | 217,166 | 69,231 |
| Excess (deficiency) of revenues over expenditures | (10,691) | (10,691) | 12,545 | 23,236 |
| OTHER FINANCING SOURCES | | | | |
| Transfers out | (25,000) | (25,000) | (27,031) | (2,031) |
| Total other financing sources | (25,000) | (25,000) | (27,031) | (2,031) |
| Net changes in fund balance | (35,691) | (35,691) | (14,486) | 21,205 |
| Fund balance - beginning of the year | 77,292 | 77,292 | 77,292 | - |
| Fund balance - end of the year | \$ 41,601 | \$ 41,601 | \$ 62,806 | \$ 21,205 |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | \$ (14,486) | |
| Net revenue accruals | | | 36,170 | |
| Net expenditure accruals | | | (2,690) | |
| Net change in fund balance GAAP basis | | | \$ 18,994 | |

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, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Plosive (Negative) |
|---|----------------------------|-------------------------|--|--|
| REVENUES: | | | | |
| Miscellaneous revenue | \$ - | \$ - | \$ 2,663 | \$ 2,663 |
| State grants | 77,451 | 77,451 | 73,985 | (3,466) |
| Interest income | <u>200</u> | <u>200</u> | <u>293</u> | <u>93</u> |
| Total revenues | 77,651 | 77,651 | 76,941 | (710) |
| EXPENDITURES: | | | | |
| Current | | | | |
| Public safety | <u>271,560</u> | <u>271,560</u> | <u>179,269</u> | <u>92,291</u> |
| Total expenditures | <u>271,560</u> | <u>271,560</u> | <u>179,269</u> | <u>92,291</u> |
| Excess (deficiency) of revenues over expenditures | (193,909) | (193,909) | (102,328) | 91,581 |
| Net changes in fund balance | (193,909) | (193,909) | (102,328) | 91,581 |
| Fund balance - beginning of the year | <u>190,654</u> | <u>190,654</u> | <u>190,654</u> | <u>-</u> |
| Fund balance - end of the year | <u>\$ (3,255)</u> | <u>\$ (3,255)</u> | <u>\$ 88,326</u> | <u>\$ (193,909)</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | \$ (102,328) | |
| Net expenditure accruals | | | <u>(1,489)</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ (103,817)</u> | |

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - CORRECTIONS
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|--|---|
| REVENUES: | | | | |
| Charges for services | \$ 55,000 | \$ 55,000 | \$ 60,150 | \$ 5,150 |
| Total revenues | 55,000 | 55,000 | 60,150 | 5,150 |
| EXPENDITURES: | | | | |
| Current | | | | |
| Public safety | 45,937 | 45,937 | 45,842 | 95 |
| Total expenditures | 45,937 | 45,937 | 45,842 | 95 |
| Net changes in fund balance | 9,063 | 9,063 | 14,308 | 5,245 |
| Fund balance - beginning of the year | 3,737 | 3,737 | 3,737 | - |
| Fund balance - end of the year | <u>\$ 12,800</u> | <u>\$ 12,800</u> | <u>\$ 18,045</u> | <u>\$ 5,245</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | <u>\$ 14,308</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ 14,308</u> | |

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - LAW ENFORCEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

| | 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 | 38,219 | 38,219 | 25,629 | 12,590 |
| Total expenditures | 38,219 | 38,219 | 25,629 | 12,590 |
| Net changes in fund balance | (12,219) | (12,219) | 971 | 13,190 |
| Fund balance - beginning of the year | 11,152 | 11,152 | 11,152 | - |
| Fund balance - end of the year | \$ (1,067) | \$ (1,067) | \$ 12,123 | \$ 13,190 |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | \$ 971 | |
| Net expenditure accruals | | | (662) | |
| Net change in fund balance GAAP basis | | | \$ 309 | |

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, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|---------------------------------|---|
| REVENUES: | | | | |
| Charges for services | \$ 12,600 | \$ 12,600 | \$ 12,294 | \$ (306) |
| Total revenues | 12,600 | 12,600 | 12,294 | (306) |
| EXPENDITURES: | | | | |
| Current | | | | |
| Health and welfare | 76,505 | 76,505 | 82,154 | (5,649) |
| Total expenditures | 76,505 | 76,505 | 82,154 | (5,649) |
| Excess (deficiency) of revenues over expenditures | (63,905) | (63,905) | (69,860) | (5,955) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 35,000 | 35,000 | 55,000 | 20,000 |
| Total other financing sources | 35,000 | 35,000 | 55,000 | 20,000 |
| Net changes in fund balance | (28,905) | (28,905) | (14,860) | 14,045 |
| Fund balance - beginning of the year | 105,962 | 105,962 | 105,962 | - |
| Fund balance - end of the year | \$ 77,057 | \$ 77,057 | \$ 91,102 | \$ 14,045 |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | \$ (14,860) | |
| Net expenditure accruals | | | (1,206) | |
| Net change in fund balance GAAP basis | | | <u>\$ (16,066)</u> | |

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - RECREATION
FOR THE YEAR ENDED JUNE 30, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|---------------------------------|---|
| REVENUES: | | | | |
| Charges for services | \$ 7,008 | \$ 7,008 | \$ 8,753 | \$ 1,745 |
| Total revenues | 7,008 | 7,008 | 8,753 | 1,745 |
| EXPENDITURES: | | | | |
| Current | | | | |
| Culture and recreation | 112,347 | 112,347 | 100,157 | 12,190 |
| Total expenditures | 112,347 | 112,347 | 100,157 | 12,190 |
| Excess (deficiency) of revenues over expenditures | (105,339) | (105,339) | (91,404) | 13,935 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 68,052 | 68,052 | 81,052 | 13,000 |
| Transfers out | (1,000) | (1,000) | (1,000) | - |
| Total other financing sources | 67,052 | 67,052 | 80,052 | 13,000 |
| Net changes in fund balance | (38,287) | (38,287) | (11,352) | 26,935 |
| Fund balance - beginning of the year | 29,220 | 29,220 | 29,220 | - |
| Fund balance - end of the year | \$ (9,067) | \$ (9,067) | \$ 17,868 | \$ 26,935 |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | \$ (11,352) | |
| Net expenditure accruals | | | (6,584) | |
| Net change in fund balance GAAP basis | | | \$ (17,936) | |

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, 2012**

| | 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>23,825</u> | <u>23,825</u> | <u>16,170</u> | <u>(7,655)</u> |
| Total revenues | 25,022 | 25,022 | 16,170 | (8,852) |
| EXPENDITURES: | | | | |
| Current | | | | |
| Culture and recreation | <u>123,383</u> | <u>123,383</u> | <u>52,611</u> | <u>70,772</u> |
| Total expenditures | <u>123,383</u> | <u>123,383</u> | <u>52,611</u> | <u>70,772</u> |
| Excess (deficiency) of revenues over expenditures | (98,361) | (98,361) | (36,441) | 61,920 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | - | - | 68,300 | 68,300 |
| Transfers out | <u>(70,300)</u> | <u>(70,300)</u> | <u>(2,000)</u> | <u>68,300</u> |
| Total other financing sources | <u>(70,300)</u> | <u>(70,300)</u> | <u>66,300</u> | <u>136,600</u> |
| Net changes in fund balance | (168,661) | (168,661) | 29,859 | 198,520 |
| Fund balance - beginning of the year | <u>(2,825)</u> | <u>(2,825)</u> | <u>(2,825)</u> | <u>-</u> |
| Fund balance - end of the year | <u>\$ (171,486)</u> | <u>\$ (171,486)</u> | <u>\$ 27,034</u> | <u>\$ 198,520</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | \$ 29,859 | |
| Net expenditure accruals | | | <u>(705)</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ 29,154</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, 2012**

| | Main Street Improvement | 2007 - 2008 Co-Op | Waste Water Reuse Project | Water Fluoride | Total |
|-------------------------------------|------------------------------------|------------------------------|--------------------------------------|---------------------------|--------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ 106,000 | \$ 17,509 | \$ 8,117 | \$ 131,626 |
| Total assets | \$ - | \$ 106,000 | \$ 17,509 | \$ 8,117 | \$ 131,626 |
| LIABILITIES AND FUND BALANCE | | | | | |
| Fund balance: | | | | | |
| Reserved for capital projects | \$ - | \$ 106,000 | \$ 17,509 | \$ 8,117 | \$ 131,626 |
| Total liabilities and fund balance | \$ - | \$ 106,000 | \$ 17,509 | \$ 8,117 | \$ 131,626 |

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, 2012

| | Main Street Improvement | 2007 - 2008 Co-Op | Waste Water Reuse Project | Water Fluoride | Total |
|--|----------------------------|----------------------|------------------------------|-------------------|--------------|
| REVENUES | | | | | |
| Federal and state grants | \$ - | \$ 66,667 | \$ 1,949,469 | \$ 1,000 | \$ 2,017,136 |
| Total revenues | - | 66,667 | 1,949,469 | 1,000 | 2,017,136 |
| EXPENDITURES | | | | | |
| General government | 4 | - | - | - | 4 |
| Capital outlay | - | 85,923 | 2,025,121 | - | 2,111,044 |
| Total expenditures | 4 | 85,923 | 2,025,121 | - | 2,111,048 |
| Excess (deficiency) of revenues over (under) expenditures | (4) | (19,256) | (75,652) | 1,000 | (93,912) |
| OTHER FINANCING SOURCES | | | | | |
| Operating transfers in | - | 22,031 | 8,800 | - | 30,831 |
| Total other financing sources | - | 22,031 | 8,800 | - | 30,831 |
| Net change in fund balance | (4) | 2,775 | (66,852) | 1,000 | (63,081) |
| Fund balance, beginning of year | 4 | 103,225 | 84,361 | 7,117 | 194,707 |
| Fund balance, end of year | \$ - | \$ 106,000 | \$ 17,509 | \$ 8,117 | \$ 131,626 |

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, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|--|---|
| REVENUES: | | | | |
| EXPENDITURES: | | | | |
| General government | - | - | 4 | (4) |
| Total expenditures | - | - | 4 | (4) |
| Net changes in fund balance | - | - | (4) | (4) |
| Fund balance - beginning of the year | 4 | 4 | 4 | - |
| Fund balance - end of the year | <u>\$ 4</u> | <u>\$ 4</u> | <u>\$ -</u> | <u>\$ (4)</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | <u>\$ (4)</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ (4)</u> | |

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR CAPITAL PROJECTS FUND - 2007 - 2008 CO-OP
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|--|---|
| REVENUES: | | | | |
| Federal and state grants | \$ 584,336 | \$ 584,336 | \$ 66,667 | \$ (517,669) |
| Total revenues | 584,336 | 584,336 | 66,667 | (517,669) |
| EXPENDITURES: | | | | |
| Capital outlay | 548,620 | 548,620 | 85,923 | 462,697 |
| Total expenditures | 548,620 | 548,620 | 85,923 | 462,697 |
| Excess (deficiency) of revenues over expenditures | 35,716 | 35,716 | (19,256) | (54,972) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 150,100 | 150,100 | 22,031 | (128,069) |
| Total other financing sources | 150,100 | 150,100 | 22,031 | (128,069) |
| Net changes in fund balance | 185,816 | 185,816 | 2,775 | (183,041) |
| Fund balance - beginning of the year | 103,225 | 103,225 | 103,225 | - |
| Fund balance - end of the year | <u>\$ 289,041</u> | <u>\$ 289,041</u> | <u>\$ 106,000</u> | <u>\$ (183,041)</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | <u>\$ 2,775</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ 2,775</u> | |

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR CAPITAL PROJECTS FUND - WASTE WATER REUSE PROJECT
FOR THE YEAR ENDED JUNE 30, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------------------|---|
| REVENUES: | | | | |
| Federal and state grants | \$ 2,381,000 | \$ 2,381,000 | \$ 1,949,469 | \$ (431,531) |
| Total revenues | 2,381,000 | 2,381,000 | 1,949,469 | (431,531) |
| EXPENDITURES: | | | | |
| Capital outlay | - | - | 2,025,121 | (2,025,121) |
| Total expenditures | - | - | 2,025,121 | (2,025,121) |
| Excess of revenues over expenditures | 2,381,000 | 2,381,000 | (75,652) | (2,456,652) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | - | - | 8,800 | 8,800 |
| Total other financing sources | - | - | 8,800 | 8,800 |
| Net changes in fund balance | 2,381,000 | 2,381,000 | (66,852) | (2,447,852) |
| Fund balance - beginning of the year | 84,361 | 84,361 | 84,361 | - |
| Fund balance - end of the year | <u>\$ 2,465,361</u> | <u>\$ 2,465,361</u> | <u>\$ 17,509</u> | <u>\$ (2,447,852)</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | <u>\$ (66,852)</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ (66,852)</u> | |

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR CAPITAL PROJECTS FUND - WATER FLUORIDE
FOR THE YEAR ENDED JUNE 30, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|--|---|
| REVENUES: | | | | |
| State shared taxes | \$ - | \$ - | \$ 1,000 | \$ 1,000 |
| Total revenues | - | - | 1,000 | 1,000 |
| Net changes in fund balance | - | - | 1,000 | 1,000 |
| Fund balance - beginning of the year | <u>7,117</u> | <u>7,117</u> | <u>7,117</u> | <u>-</u> |
| Fund balance - end of the year | <u>\$ 7,117</u> | <u>\$ 7,117</u> | <u>\$ 8,117</u> | <u>\$ 1,000</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | <u>\$ 1,000</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ 1,000</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, 2012**

| | <u>Debt Service 2011</u> |
|-------------------------------------|------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ <u>154,483</u> |
| Total assets | \$ <u>154,483</u> |
| LIABILITIES AND FUND BALANCE | |
| Fund balance: | |
| Reserved for debt service | \$ <u>154,483</u> |
| Total fund balance | <u>154,483</u> |
| Total liabilities and fund balances | \$ <u>154,483</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, 2012**

| | Debt Service 2011 |
|---|------------------------------|
| EXPENDITURES | |
| Current: | |
| General government | \$ 33 |
| Debt Service: | |
| Principal | 65,000 |
| Interest | <u>10,994</u> |
| Total expenditures | <u>76,027</u> |
| Deficiency of revenues under expenditures | (76,027) |
| OTHER FINANCING SOURCES (USES) | |
| Transfers in | <u>147,152</u> |
| Total other financing sources (uses) | <u>147,152</u> |
| Net change in fund balance | 71,125 |
| Fund balance, beginning of year | <u>83,358</u> |
| Fund balance, end of year | <u>\$ 154,483</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, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|--|---|
| EXPENDITURES: | | | | |
| General government | \$ 70 | \$ 70 | \$ 33 | \$ 37 |
| Debt service | | | | |
| Principal | 65,000 | 65,000 | 65,000 | - |
| Interest | <u>10,994</u> | <u>10,994</u> | <u>10,994</u> | <u>-</u> |
| Total expenditures | <u>76,064</u> | <u>76,064</u> | <u>76,027</u> | <u>37</u> |
| Excess (deficiency) of revenues over expenditures | (76,064) | (76,064) | (76,027) | 37 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | <u>147,152</u> | <u>147,152</u> | <u>147,152</u> | <u>-</u> |
| Total other financing sources | <u>147,152</u> | <u>147,152</u> | <u>147,152</u> | <u>-</u> |
| Net changes in fund balance | 71,088 | 71,088 | 71,125 | 37 |
| Fund balance - beginning of the year | <u>83,358</u> | <u>83,358</u> | <u>83,358</u> | <u>-</u> |
| Fund balance - end of the year | <u>\$ 154,446</u> | <u>\$ 154,446</u> | <u>\$ 154,483</u> | <u>\$ 37</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | <u>\$ 71,125</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ 71,125</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, 2012**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|--|---|
| REVENUES: | | | | |
| Federal and state grants | \$ 519,394 | \$ 519,394 | \$ 525,399 | \$ 6,005 |
| Total revenues | 519,394 | 519,394 | 525,399 | 6,005 |
| EXPENDITURES: | | | | |
| Capital outlay | 519,114 | 519,114 | 529,560 | (10,446) |
| Total expenditures | 519,114 | 519,114 | 529,560 | (10,446) |
| Excess (deficiency) of revenues over expenditures | 280 | 280 | (4,161) | (4,441) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 4,161 | 4,161 | 4,161 | - |
| Total other financing sources | 4,161 | 4,161 | 4,161 | - |
| Net changes in fund balance | 4,441 | 4,441 | - | (4,441) |
| Fund balance - beginning of the year | - | - | - | - |
| Fund balance - end of the year | <u>\$ 4,441</u> | <u>\$ 4,441</u> | <u>\$ -</u> | <u>\$ (4,441)</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | <u>\$ -</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ -</u> | |

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
PROPRIETARY FUND - JOINT UTILITIES
FOR THE YEAR ENDED JUNE 30, 2012**

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|---------------------------------|---|
| REVENUES: | | | | |
| Charges for services | \$ 2,209,110 | \$ 2,209,110 | \$ 2,070,810 | \$ (138,300) |
| State shared taxes | 37,823 | 37,823 | 150,231 | 112,408 |
| Fines and forfeitures | 10,200 | 10,200 | - | (10,200) |
| Interest income | 11,600 | 11,600 | 839 | (10,761) |
| Miscellaneous income | <u>7,800</u> | <u>7,800</u> | <u>362</u> | <u>(7,438)</u> |
| Total revenues | 2,276,533 | 2,276,533 | 2,222,242 | (54,291) |
| EXPENDITURES: | | | | |
| Personnel services | 611,753 | 611,753 | 429,976 | 181,777 |
| Other operating expenses | 1,733,477 | 1,733,477 | 1,195,242 | 538,235 |
| Capital outlay | <u>192,515</u> | <u>192,515</u> | <u>-</u> | <u>192,515</u> |
| Total expenditures | <u>2,537,745</u> | <u>2,537,745</u> | <u>1,625,218</u> | <u>912,527</u> |
| Excess (deficiency) of revenues over expenditures | <u>(261,212)</u> | <u>(261,212)</u> | <u>597,024</u> | <u>858,236</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 162,682 | 162,682 | 214,352 | 51,670 |
| Transfers out | <u>(231,594)</u> | <u>(231,594)</u> | <u>(240,755)</u> | <u>(9,161)</u> |
| Total other financing sources (uses) | <u>(68,912)</u> | <u>(68,912)</u> | <u>(26,403)</u> | <u>42,509</u> |
| Net changes in fund balance | (330,124) | (330,124) | 570,621 | 900,745 |
| Fund balance - beginning of the year | <u>13,403,086</u> | <u>13,403,086</u> | <u>13,403,086</u> | <u>1,888,745</u> |
| Fund balance - end of the year | <u>\$ 13,072,962</u> | <u>\$ 13,072,962</u> | <u>\$ 13,973,707</u> | <u>\$ 2,789,490</u> |
| Reconciliation of budgetary basis to GAAP basis: | | | | |
| Net change in fund balance budgetary basis | | | \$ 570,621 | |
| Depreciation expense | | | <u>(305,692)</u> | |
| Net change in fund balance GAAP basis | | | <u>\$ 264,929</u> | |

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

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**SCHEDULE OF DEPOSITORIES
JUNE 30, 2012**

| | <u>Type</u> | <u>Amount Per Bank</u> | <u>Plus DIT</u> | <u>Outstanding Checks</u> | <u>Balance Per Books</u> |
|--|-------------|----------------------------|------------------------|-------------------------------|------------------------------|
| Western Bank | | | | | |
| General - Operating | CK | \$ 2,505,900 | \$ 9,502 | \$ 468,109 | \$ 2,047,293 |
| Solid Waste Reserve | CK | 317 | - | - | 317 |
| 2007-2008 COOP | CK | 123,743 | - | 17,743 | 106,000 |
| Debt Service | CK | 153,790 | - | - | 153,790 |
| Water Fluoride | CK | 8,117 | - | - | 8,117 |
| USDA Water Reuse Project | CK | 121,876 | - | 113,167 | 8,709 |
| NADB Fluoride Project | CK | 8,800 | - | - | 8,800 |
| Debt Service | CK | 693 | - | - | 693 |
| Overnight Account | MM | 3,100,791 | - | - | 3,100,791 |
| CD | CD | 255,038 | - | - | 255,038 |
| CD | CD | 235,420 | - | - | 235,420 |
| Total | | <u>\$ 6,514,485</u> | <u>\$ 9,502</u> | <u>\$ 599,019</u> | <u>\$ 5,924,968</u> |
| Reconciliation to Government Wide | | | | | |
| Cash | | | | | \$ 2,140,266 |
| Investments | | | | | 3,591,249 |
| Restricted Cash | | | | | 193,453 |
| Cash Overdraft | | | | | - |
| Total | | | | | <u>\$ 5,924,968</u> |

Type:

CK= Checking

MM= Money Market

CD= Certificate of Deposit

Western Bank

| | |
|--|---------------------|
| Amount held in bank June 30, 2012 | \$ 6,514,485 |
| Less FDIC Insurance | <u>3,173,236</u> |
| Uninsured Public Funds | 3,341,249 |
| 50% Collateral Requirements (Section 6-10-17 NMSA-1978) | 1,670,625 |
| Pledged Securities | <u>3,078,905</u> |
| Over (Under) Collateralized | <u>\$ 1,408,280</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, 2012**

| Description of Pledged Collateral | Amount | Name and Location |
|--|---------------------|-------------------------------------|
| Clovis NM, CUSIP#189414HN8, Maturing 8/2/2025 | \$ 555,545 | Federal Home Loan Bank of Dallas |
| Roswell NM, CUSIP#778544CC8, Maturing 8/1/2013 | 401,404 | Federal Home Loan Bank of Dallas |
| FHLMC ARM Poll, CUSIP#31346VH28, Maturing 7/1/2030 | 226,626 | Federal Home Loan Bank of Dallas |
| FNMA 2006-75 CM, CUSIP#31394V3D0, Maturing 12/25/2033 | 801,477 | Federal Home Loan Bank of Dallas |
| Hidalgo CNTY N Mex, CUSIP#429308DE6, Maturing 10/1/2016 | 113,044 | Federal Home Loan Bank of Dallas |
| Hidalgo CNTY N Mex, CUSIP#429308DF3, Maturing 10/1/2017 | 135,446 | Federal Home Loan Bank of Dallas |
| Hidalgo CNTY N Mex, CUSIP#429308DG1, Maturing 10/1/2018 | 135,134 | Federal Home Loan Bank of Dallas |
| Santa Fe CNTY N Mex, CUSIP@801889LT1 | 289,600 | Federal Home Loan Bank of Dallas |
| FNMA 2002-74 PE, CUSIP# 31392FPP6, Maturing 3/15/2023 | <u>420,629</u> | Federal Home Loan Bank of Dallas |
| Total pledged securities | <u>\$ 3,078,905</u> | |

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

**CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE
JUNE 30, 2012**

| Account No. | | Rent 14.850 | CFP 14.872 | Total |
|--|--|------------------------|-----------------------|---------------------|
| Assets: | | | | |
| Current assets: | | | | |
| 111 | Cash-unrestricted | \$ 453,977 | \$ - | \$ 453,977 |
| 114 | Cash-tenant security deposits | 16,286 | - | 16,286 |
| | Cash from sale of Refrigerators | 3,850 | - | 3,850 |
| 100 | Total cash | <u>474,113</u> | <u>-</u> | <u>474,113</u> |
| Accounts receivable: | | | | |
| 126 | Tenants | 6,985 | - | 6,985 |
| 142 | Prepaid expense and other assets | - | - | - |
| 144 | Inter-Program due from | - | 20,909 | 20,909 |
| 150 | Total current assets | <u>481,098</u> | <u>20,909</u> | <u>502,007</u> |
| Fixed assets: | | | | |
| 161 | Land | 100,000 | - | 100,000 |
| 162 | Building and improvements | 2,450,758 | - | 2,450,758 |
| 164 | Furniture, equipment & machinery | 122,909 | - | 122,909 |
| 165 | Leasehold improvements | 2,524,519 | - | 2,524,519 |
| 166 | Accumulated depreciation | <u>(2,992,137)</u> | <u>-</u> | <u>(2,992,137)</u> |
| 160 | Total fixed assets, net | <u>2,206,049</u> | <u>-</u> | <u>2,206,049</u> |
| 180 | Total non-current assets | <u>2,206,049</u> | <u>-</u> | <u>2,206,049</u> |
| 190 | Total assets | <u>\$ 2,687,147</u> | <u>\$ 20,909</u> | <u>\$ 2,708,056</u> |
| Liabilities and fund equity: | | | | |
| Current liabilities: | | | | |
| 312 | Accounts payable <= 90 days | \$ 55,070 | \$ - | \$ 55,070 |
| 322 | Accrued comp. absences -current portion | 3,090 | - | 3,090 |
| 333 | Accounts payable - other government | 17,375 | - | 17,375 |
| 347 | Inter-program due to | 20,909 | - | 20,909 |
| Liabilities payable from restricted assets: | | | | |
| 341 | Tenant security deposits | <u>14,050</u> | <u>-</u> | <u>14,050</u> |
| 310 | Total current liabilities | <u>110,494</u> | <u>-</u> | <u>110,494</u> |
| 300 | Total liabilities | <u>110,494</u> | <u>-</u> | <u>110,494</u> |
| Net assets: | | | | |
| 508.1 | Invested in capital assets, net of rel. debt | 2,206,049 | - | 2,206,049 |
| 511.1 | Restricted net assets | 16,286 | 20,909 | 37,195 |
| 512.1 | Unrestricted net assets | <u>354,318</u> | <u>-</u> | <u>354,318</u> |
| 513 | Total net assets | <u>2,576,653</u> | <u>20,909</u> | <u>2,597,562</u> |
| 600 | Total liabilities and net assets | <u>\$ 2,687,147</u> | <u>\$ 20,909</u> | <u>\$ 2,708,056</u> |

**CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE
JUNE 30, 2012**

| Account No. | | Low Rent 14.850 | CFP 14.872 | Total |
|--------------------|---|----------------------------|-----------------------|--------------|
| Revenue | | | | |
| 703 | Net tenant rental revenue | \$ 260,836 | \$ - | \$ 260,836 |
| 705 | Total tenant revenue | 260,836 | - | 260,836 |
| 706 | HUD PHA operating grants | 227,250 | - | 227,250 |
| 706.1 | Capital grants | - | 160,705 | 160,705 |
| 711 | Investment income - unrestricted | 1,063 | - | 1,063 |
| 715 | Other revenue | 12,481 | - | 12,481 |
| 700 | Total revenue | 501,630 | 160,705 | 662,335 |
| Expenses | | | | |
| 911 | Administrative salaries | 158,830 | - | 158,830 |
| 912 | Auditing and accounting fees | 9,240 | - | 9,240 |
| 915 | Employee benefit contributions-Adm | 22,421 | - | 22,421 |
| 910 | Other operating-administrative | 107,710 | - | 107,710 |
| 931 | Water | 45,550 | - | 45,550 |
| 932 | Electricity | 7,654 | - | 7,654 |
| 933 | Gas | 51,348 | - | 51,348 |
| 942 | Ordinary maintenance and operations-materials | 33,650 | - | 33,650 |
| 961 | Insurance premiums | 22,337 | - | 22,337 |
| 969 | Total operating expenses | 458,740 | - | 458,740 |
| 970 | Excess operating revenue over operating exp. | 42,890 | 160,705 | 203,595 |
| 974 | Depreciation expense | 141,727 | - | 141,727 |
| 900 | Total expenses | 600,467 | - | 600,467 |
| 100.1 | Operating transfers in | 160,705 | - | 160,705 |
| 100.2 | Operating transfers out | - | (160,705) | (160,705) |
| 100.8 | Gain on sale of property | 3,850 | - | 3,850 |
| 101 | Total other financing sources (uses) | 164,555 | (160,705) | 3,850 |
| 101 | Total other financing sources (uses) | 164,555 | (160,705) | 3,850 |
| 100 | Excess of operating revenue over expenses | 65,718 | - | 65,718 |
| 110.3 | Beginning net assets | 2,510,935 | 20,909 | 2,531,844 |
| | Net assets at end of year | \$ 2,576,653 | \$ 20,909 | \$ 2,597,562 |

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**JOINT POWERS AGREEMENTS
JUNE 30, 2012**

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, 2012

| Federal Grantor Pass Through Grantor Program Title | CFDA | Program or Grant Number | Award Amount | Expenditures |
|---|--------|----------------------------|---------------------|---------------------|
| <i>United States Department of Transportation</i> | | | | |
| Airport Improvement Program | 20.106 | 3-35-0026-009-2010 | \$ 339,396 | \$ 233,916 |
| <i>United States Department of Agriculture</i> | | | | |
| Community Facilities Loans and Grants | 10.766 | SJT9-0001 | 2,025,121 | 2,025,121 |
| <i>United States Department of Homeland Security</i> | | | | |
| Stone Garden | 97.067 | 2009-54387 | 646,931 | 311,252 |
| <i>United States Department of Justice</i> | | | | |
| DOJ - Southwest Border Prosecution Initiative | 16.755 | 2009-G8697-NM-D | 37,500 | 18,016 |
| <i>United States Department of Energy</i> | | | | |
| Energy Efficiency and Conservation Block Grant Program - ARRA | 81.128 | 10-521-R1De00002-0269 | 186,834 | 183,700 |
| <i>United States Department of Energy</i> | | | | |
| Community Development Block Grant - Water System Improvements | 14.218 | 12-C-RS-I-07-G-08 | <u>916,394</u> | <u>492,057</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 4,152,176</u> | <u>\$ 3,264,062</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, 2012, and have issued our report thereon dated November 29, 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

Management of the City is responsible for establishing and maintaining effective 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, 10-01, 10-02, 12-01, 12-02.

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. However, we believe that none of the significant deficiencies described above is a material weakness.

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 finding 07-02, 07-04, 12-03, 12-04, and 12-05.

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, others within the entity, 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

November 29, 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, 2012. 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, 2012.

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.

This report is intended solely for the information and use of the Council members, management, others within the entity, 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 + Samaniego + Campbell, LLP

EL PASO, TEXAS

November 29, 2012

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

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? Yes X No

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

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

Identification of Major Programs:
CFDA Number

Name of Federal Program or Cluster

| | |
|--------|--|
| 10.766 | US Department of Agriculture - Community Facilities Loans and Grants |
| 97.067 | US Department of Homeland Security - Stone Garden |
| 14.218 | Community Development Block Grant - Water System Improvements |

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, 2012**

PRIOR YEAR FINDINGS:

| | |
|----------------------------------|----------|
| 07-01 Failure to Apply GAAP | Repeated |
| 07-02 Completion of Audit Report | Repeated |
| 07-04 Budget | Repeated |
| 09-04 Journal Entry Testwork | Resolved |
| 10-01 Lodger's Tax | Repeated |
| 10-02 Payroll Documentation | Repeated |

Component Unit:

| | |
|--|----------|
| 07-04 Completion of Audit Report | Resolved |
| 11-01 Data Collection From Package Not Timely Filed | Resolved |
| 11-02 Lack of Adequate Internal Controls Over Compliance | Resolved |

STATE OF NEW MEXICO
CITY OF LORDSBURG

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

PRIMARY GOVERNMENT:

Failure to Apply GAAP (07-01) - Material Weakness

| | |
|-----------------------|--|
| 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) - Other

| | |
|-----------------------|--|
| CONDITION | The audit report was submitted to the State Auditor on December 1, 2012. However, the State Auditor had several items that required corrections, therefore the audit is reported late. |
| 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, 2012. |
| CAUSE | The audit was submitted to the State Auditor by the required due date, however, the audit had several items that required corrections, therefore the audit is reported late by the New Mexico State Auditor's Office. |
| 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 completed and filed on a timely basis. |

Budget (07-04) - Other

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.

| Fund | Budgeted Expenses | Actual Expenses | Difference |
|--------------------|--------------------------|------------------------|-------------------|
| Lodgers Tax | \$ 89,900 | \$ 106,395 | \$ (16,495) |
| Cementery | 76,505 | 82,154 | (5,649) |
| Waste Water Reuse | - | 2,025,121 | (2,025,121) |
| CDBG Water Project | 519,114 | 529,560 | (10,446) |

| Fund | Budgeted Deficit |
|-----------------|-------------------------|
| General | \$ 269,082 |
| Road | 10,691 |
| Fire | 193,909 |
| Law Enforcement | 12,219 |
| Cementery | 28,905 |
| Special Events | 98,361 |
| Joint Utilities | 261,212 |

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.

Lodger's Tax (10-01) - Material Weakness

| | |
|-----------------------|--|
| CONDITION | The City of Lordsburg did not collect lodgers tax from all the lodging establishments during the fiscal year 2011 and 2012 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 2012 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 2012 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 Documentation (10-02) - Material Weakness

| | |
|-----------------------|--|
| CONDITION | During the course of the audit, we noted various errors in payroll procedures. Of the fifteen timesheets tested, there was six instances where the total number of hours paid did not agree to the total number of hours per timesheet tested. Furthermore, over time is not being approved by supervisors. |
| 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. |

Cash Reconciliation (12-01) - Material Weakness

| | |
|-----------------------|--|
| CONDITION | The City's bank accounts are not properly reconciled. |
| CRITERIA | According to NMSA 1978 Section 6-4-2, all monies coming into all agencies shall be considered public monies and be accounted as such. |
| CAUSE | The City is not reconciling cash accounts. The City had various check outstanding past one year. |
| EFFECT | The City's bank accounts are not reconciled. Public monies are not being accounted for properly. |
| RECOMMENDATION | The City should account for all bank accounts used by the City and its department. Bank reconciliations should be performed frequently in order to properly account for public monies. |
| RESPONSE | The City's management will adhere to auditors' recommendation. |

Lack of supporting documentation for travel reimbursement (12-02) - Material Weakness

| | |
|-----------------------|---|
| CONDITION | During the course of testwork we found in error in per diem. Out of five samples, one of the per diem checks did not have the proper documentation. The per diem approval sheet was not signed by a supervisor, and the check had only one signature. |
| CRITERIA | According to the City of Lordsburg policies, "every in-state request for travel reimbursement, claim for reimbursement, request for actual reimbursement and advance of per diem, mileage, meals and other reimbursable travel expense shall be on a travel voucher form and approved by a supervisor." |
| CAUSE | The City management did not oversee the transaction and failed to implement internal control procedures. |
| EFFECT | There is an increased risk that the City may pay for travel not taken, additional costs not approved or pay incorrect per diem or mileage rates. |
| RECOMMENDATION | The City should ensure that every travel reimbursement, claim for reimbursement, request for actual reimbursement and advance of per diem, mileage and meals is supported by a travel voucher with the approval of the supervisor, and that checks have appropriate signature. |
| RESPONSE | The new City management concurs with the finding. The City will maintain all proper documentation with the travel reimbursement and per diem requests. |

Component Unit:

Journal Entry Testwork (12-03) - Other

| | |
|-----------------------|---|
| CONDITION | During our Journal Entry testwork, we selected six items, with a total amount of \$235,593.16, to test and all six of them did not show proper approval or documentation of approval. |
| CRITERIA | It is the responsibility of the Housing Authority to keep and file all supporting documentation and approval for all the transactions occurred in order to maintain accountability. |
| CAUSE | The Housing Authority 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 Housing Authority should keep supporting documentation and documentation about its approval for all the journal entries entered. |
| RESPONSE | The Housing Authority's management will adhere to auditors' recommendation. |

Cash Deposits (12-04) - Other

| | |
|-----------------------|---|
| CONDITION | A bank account in the name of the Housing Authority, valued at \$3,850, is not declared as public funds with the bank. |
| CRITERIA | According to NMSA 1978 Section 6-4-2, all monies coming into all agencies shall be considered public monies and be accounted as such. |
| CAUSE | The Housing Authority did not include several bank accounts as public monies. |
| EFFECT | One of the Housing Authority's bank accounts are not accounted as public monies. |
| RECOMMENDATION | The Housing Authority should account for all bank accounts used by the Housing Authority and its department as public funds. |
| RESPONSE | The Housing Authority's management will adhere to auditors' recommendation. |

Sale of Property (12-05) - Other

| | |
|-----------------------|--|
| CONDITION | The Housing Authority did not properly record or have supporting documentaton for the sale of property, estimated at \$3,850. |
| CRITERIA | All property sold or disposed of should be properly documented and recorded in the accounting records. |
| CAUSE | The Housing Authority documented the sale of property, but lost the sale receipts prior to recording them in the accounting records. |
| EFFECT | Due to the lack of supporting documentation for the sale of property, the Housing Authority cannot prevent and detect errors or fraud. |
| RECOMMENDATION | The Housing Authority document and record all sales of property for the accounting records. |
| RESPONSE | Management will document all sales of property to ensure that documentation is properly completed and recorded. |

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2012**

An exit conference was held on December 1, 2012 in a closed meeting with the following City officials:

City of Lordsburg

Frank Rodriguez
Theodoro Castillo
Robert Arvizo
Belinda Chavez

Mayor
Finance Officer
Housing Authority - Executive Director
City Clerk

White + Samaniego + Campbell, LLP

Dahliah Garcia
Jesse Jezbera

Staff, Audit Department
Staff, Audit Department

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.