

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**

**FINANCIAL STATEMENTS**

**FOR THE YEAR-ENDED JUNE 30, 2014**



## **INTRODUCTORY SECTION**

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CITY OF LORDSBURG  
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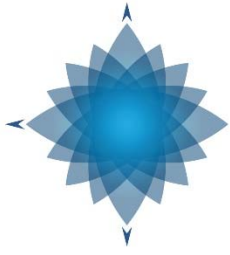
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CITY OF LORDSBURG  
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**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>City of Lordsburg</b>		
<b>Elected Officials</b>		<b>Title</b>
Arthur Clark Smith		Mayor
Alfredo Morelos		Mayor Pro-Tem
Alex DeLaGarza		Councilor
Ernest Gallegos, Sr.		Councilor
Irene Galvan		Councilor
Glenda Greene		Councilor
Manuel Saucedo		Councilor
<b>Department Heads</b>		<b>Title</b>
Patricia de Naranjo		Finance Officer
Jeannie Palacios		City Clerk
Robert Rodriguez		Police Chief
<b>City of Lordsburg Public Housing Authority</b>		
<b>Board of Commissioners</b>		<b>Title</b>
Arthur Clark Smith		Chairman
Alfredo Morelos		Vice Chairman
Alex DeLaGarza		Commissioner
Ernest Gallegos, Sr.		Commissioner
Irene Galvan		Commissioner
Glenda Greene		Commissioner
Manuel Saucedo		Commissioner
<b>Department Heads</b>		<b>Title</b>
Sandra Kolean		Executive Director

## **FINANCIAL SECTION**



## Independent Auditor's Report

Timothy Keller  
New Mexico State Auditor  
Mayor and City Councilors  
City of Lordsburg  
Lordsburg, New Mexico

To the Mayor and City Council

### **Report of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Lordsburg, New Mexico, as of and for the year-ended June 30, 2014, and the related notes to the financial statements 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, proprietary funds, and all nonmajor funds presented as supplementary information as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year-ended June 30, 2014, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance 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 major capital project fund and all nonmajor governmental funds of the City, as of June 30, 2014, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the major capital project fund, proprietary fund, and all nonmajor funds for the year then-ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The



schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC  
Albuquerque, NM

March 12, 2015

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
STATEMENT OF NET POSITION  
As of June 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 3,220,222	3,466,558	6,686,780	361,842
Receivables				
Accounts receivable	255,638	344,586	600,224	1,012
Taxes receivable	297,398	8,609	306,007	-
Other receivables	37,902	1,300	39,202	-
Due from other funds	-	-	-	20,909
Due from other governments	-	-	-	88,575
Total current assets	<u>3,811,160</u>	<u>3,821,053</u>	<u>7,632,213</u>	<u>472,338</u>
Non-current assets:				
Restricted cash	-	-	-	19,075
Capital assets	17,989,329	14,674,518	32,663,847	5,198,186
Less: Accumulated depreciation	<u>(6,286,158)</u>	<u>(3,014,633)</u>	<u>(9,300,791)</u>	<u>(3,165,155)</u>
Total non-current assets	<u>11,703,171</u>	<u>11,659,885</u>	<u>23,363,056</u>	<u>2,052,106</u>
Total assets	<u>15,514,331</u>	<u>15,480,938</u>	<u>30,995,269</u>	<u>2,524,444</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 15,514,331</u>	<u>15,480,938</u>	<u>30,995,269</u>	<u>2,524,444</u>
Liabilities, deferred inflows of resources and net position:				
Liabilities:				
Accounts payable	\$ 75,402	55,827	131,229	20,244
Accrued payroll liabilities	6,741	10,776	17,517	-
Due to other fund	-	-	-	20,909
Customer deposits	-	91,072	91,072	-
Current portion of compensated absences	17,790	8,033	25,823	3,006
Current portion of long-term debt	<u>98,529</u>	<u>31,079</u>	<u>129,608</u>	<u>-</u>
Total current liabilities	198,462	196,787	395,249	44,159
Current liabilities payable from restricted assets:				
Tenant security deposits	-	-	-	14,050
Non-current liabilities				
Compensated absences	4,447	2,009	6,456	751
Notes payable	<u>1,072,893</u>	<u>98,942</u>	<u>1,171,835</u>	<u>-</u>
Total non-current liabilities	<u>1,077,340</u>	<u>100,951</u>	<u>1,178,291</u>	<u>751</u>
Total liabilities	1,275,802	297,738	1,573,540	58,960
Deferred Inflows of Resources:				
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position				
Net Investment in Capital Assets	10,531,749	11,529,864	22,061,613	2,052,106
Unrestricted Net Position	<u>3,706,780</u>	<u>3,653,336</u>	<u>7,360,116</u>	<u>413,378</u>
Total net position	<u>14,238,529</u>	<u>15,183,200</u>	<u>29,421,729</u>	<u>2,465,484</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 15,514,331</u>	<u>15,480,938</u>	<u>30,995,269</u>	<u>2,524,444</u>

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes In Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
Governmental activities								
General government	\$ 3,640,028	20,094	579,052	-	(3,040,882)	-	(3,040,882)	
Public safety	87,727	35,454	96,858	-	44,585	-	44,585	
Public works	282,868	-	425,772	534,785	677,689	-	677,689	
Culture and recreation	187,294	15,140	-	-	(172,154)	-	(172,154)	
Health and welfare	61,685	9,643	-	-	(52,042)	-	(52,042)	
Interest expense	21,115	-	-	-	(21,115)	-	(21,115)	
Total governmental activities	<u>4,280,717</u>	<u>80,331</u>	<u>1,101,682</u>	<u>534,785</u>	<u>(2,563,919)</u>	<u>-</u>	<u>(2,563,919)</u>	
<b>Business-type activities:</b>								
Utilities								
Water	425,216	635,099	-	-	-	209,883	209,883	
Gas	1,035,229	658,875	-	-	-	(376,354)	(376,354)	
Sewer	593,907	347,420	-	-	-	(246,487)	(246,487)	
Solid Waste	341,916	307,938	-	-	-	(33,978)	(33,978)	
Total business-type activities	<u>2,396,268</u>	<u>1,949,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(446,936)</u>	<u>(446,936)</u>	
Total primary government	<u>6,676,985</u>	<u>2,029,663</u>	<u>1,101,682</u>	<u>534,785</u>	<u>(2,563,919)</u>	<u>(446,936)</u>	<u>(3,010,855)</u>	
<b>Component unit:</b>								
Public housing	\$ <u>580,020</u>	<u>239,572</u>	<u>153,397</u>	<u>81,167</u>				(105,884)
<b>General revenues:</b>								
Taxes								
Property taxes levied for general purposes					\$ -	-	-	-
Gross receipts taxes					1,732,843	133,138	1,865,981	-
Other taxes and fees					312,269	-	312,269	-
Licenses and permits					10,033	-	10,033	-
Fines, forfeitures, and penalties					176,027	-	176,027	-
Interest income					1,272	845	2,117	617
Miscellaneous income					934,325	65,404	999,729	19,281
Transfers					198,969	(198,969)	-	-
Total general revenue and transfers					<u>3,365,738</u>	<u>418</u>	<u>3,366,156</u>	<u>19,898</u>
Changes in net position					801,819	(446,518)	355,301	(85,986)
Beginning net position					13,821,128	16,005,451	29,826,579	2,551,470
Restatement					(384,418)	(375,733)	(760,151)	-
Beginning net position, as restated					<u>13,436,710</u>	<u>15,629,718</u>	<u>29,066,428</u>	<u>2,551,470</u>
Net position, end of year					<u>\$ 14,238,529</u>	<u>15,183,200</u>	<u>29,421,729</u>	<u>2,465,484</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2014**

	<u>Major Funds</u>			<u>Total Funds</u>
	<u>General Fund</u>	<u>Cap Project Water Project Fund</u>	<u>Total Non- Major Funds</u>	
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 1,860,781	60	1,359,381	3,220,222
Receivables				
Accounts receivable	233,549	-	22,089	255,638
Taxes receivable	258,319	-	39,080	297,399
Other receivables	-	-	37,902	37,902
Due from other funds	1,071	-	-	1,071
Due from other governments	-	-	-	-
Total assets	<u>2,353,720</u>	<u>60</u>	<u>1,458,452</u>	<u>3,812,232</u>
Deferred Outflows of Resources:				
Total deferred outflows of resource	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 2,353,720</u>	<u>60</u>	<u>1,458,452</u>	<u>3,812,232</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ 64,641	-	10,761	75,402
Accrued payroll liabilities	-	-	6,741	6,741
Due to other fund	-	-	1,071	1,071
Due to other government	-	-	-	-
Total liabilities	<u>64,641</u>	<u>-</u>	<u>18,573</u>	<u>83,214</u>
Deferred Inflows of Resources:				
"Unavailable" revenues	<u>30,298</u>	<u>-</u>	<u>-</u>	<u>30,298</u>
Total deferred inflows of resource:	<u>30,298</u>	<u>-</u>	<u>-</u>	<u>30,298</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	60	1,367,280	1,367,340
Committed	-	-	72,599	72,599
Assigned	-	-	-	-
Unassigned	<u>2,258,781</u>	<u>-</u>	<u>-</u>	<u>2,258,781</u>
Total fund balances	<u>2,258,781</u>	<u>60</u>	<u>1,439,879</u>	<u>3,698,720</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 2,353,720</u>	<u>60</u>	<u>1,458,452</u>	<u>3,812,232</u>

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

**STATE OF NEW MEXICO**  
**CITY OF LORDSBURG**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE**  
**TO THE STATEMENT OF NET POSITION**  
**As of June 30, 2014**

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

Total fund balance - Governmental funds	\$	3,698,720
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		11,703,171
Delinquent property tax not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the statement of activities.		30,298
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
Current compensated absences	\$	(17,790)
Noncurrent compensated absences		(4,447)
Current notes payable		(98,529)
Noncurrent notes payable	\$	<u>(1,072,893)</u>
		(1,193,659)
Rounding		<u>-</u>
Net position for governmental activities	\$	<u><u>14,238,530</u></u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014**

	<u>Major Funds</u>			<u>Total Funds</u>
	<u>General Fund</u>	<u>Cap Project Water Project Fund</u>	<u>Total Non- Major Funds</u>	
Revenues:				
Taxes				
Property	\$ 108,835	-	-	108,835
Gross receipts/State shared	1,371,738	-	247,508	1,619,246
Other	87,422	-	224,846	312,268
Licenses and permits	5,963	-	4,070	10,033
Charges for services	20,094	-	60,237	80,331
Fines and forfeitures	176,027	-	-	176,027
Intergovernmental revenue				
Federal grants	393,484	534,785	422,000	1,350,269
State grants	185,568	-	100,630	286,198
Interest income	1,060	-	211	1,271
Miscellaneous income	<u>755,120</u>	<u>59</u>	<u>179,205</u>	<u>934,384</u>
Total revenues	3,105,311	534,844	1,238,707	4,878,862
Expenditures:				
Current:				
General government	2,719,198	-	105	2,719,303
Public safety	-	-	87,727	87,727
Public works	-	-	282,868	282,868
Culture and recreation	-	-	187,294	187,294
Health and welfare	-	-	61,685	61,685
Capital outlay	51,417	713,046	489,770	1,254,233
Debt service				
Principal	-	-	98,433	98,433
Interest	-	-	21,115	21,115
Total expenditures	<u>2,770,615</u>	<u>713,046</u>	<u>1,228,997</u>	<u>4,712,658</u>
Excess (deficiency) of revenues over (under) expenditures	334,696	(178,202)	9,710	166,204
Other financing sources (uses):				
Proceeds from debt issuance	-	178,262	-	178,262
Transfers in	286,713	-	286,178	572,891
Transfers out	<u>(299,352)</u>	<u>-</u>	<u>(74,570)</u>	<u>(373,922)</u>
Total other financing sources (uses):	<u>(12,639)</u>	<u>178,262</u>	<u>211,608</u>	<u>377,231</u>
Net change in fund balances	322,057	60	221,318	543,435
Beginning fund balance	1,937,634	-	1,305,069	3,242,703
Restatement	<u>(910)</u>	<u>-</u>	<u>(86,508)</u>	<u>(87,418)</u>
Beginning fund balance, as restated	<u>1,936,724</u>	<u>-</u>	<u>1,218,561</u>	<u>3,155,285</u>
Ending fund balance	<u>\$ 2,258,781</u>	<u>60</u>	<u>1,439,879</u>	<u>3,698,720</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
As of June 30, 2014**

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

Total net change in fund balances-governmental funds	\$	543,435
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimates useful lives and reported as depreciation expense.</p>		
Capital expenditures recorded as capital outlay or other expenses		815,602
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.</p>		
		(485,822)
<p>The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
(Increase)/decrease in compensated absences		3,672
Issuance of long-term debt		(178,262)
Principal payments on long-term debt		98,433
<p>Other reclassifications are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting to show the revenue earned from the current year's tax levy.</p>		
		4,761
Rounding		-
Change in net position of governmental activities	\$	801,819

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes				
Property	\$ 82,584	82,584	102,420	19,836
Gross receipts	1,506,723	1,506,723	1,350,236	(156,487)
Other	68,423	68,423	73,129	4,706
Licenses and permits	11,900	11,900	5,963	(5,937)
Charges for services	12,694	12,694	20,094	7,400
Fines and forfeitures	203,014	203,014	176,027	(26,987)
Intergovernmental revenue				
Federal grants	967,496	967,496	294,167	(673,329)
State grants	351,774	351,774	276,099	(75,675)
Interest income	1,000	1,000	1,060	60
Miscellaneous income	489,636	489,636	553,997	64,361
Total revenues	3,695,244	3,695,244	2,853,192	(842,052)
Expenditures:				
Current:				
General government	3,155,350	3,155,350	2,581,237	574,113
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	1,128,400	1,128,400	51,417	1,076,983
Total expenditures	4,283,750	4,283,750	2,632,654	1,651,096
Excess (deficiency) of revenues over (under) expenditures	(588,506)	(588,506)	220,538	(2,493,148)
Other financing sources (uses):				
Transfers in	81,112	81,112	286,713	205,601
Transfers out	(260,664)	(260,664)	(299,352)	38,688
Total other financing sources (uses):	(179,552)	(179,552)	(12,639)	244,289
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(768,058)	(768,058)	207,899	(2,248,859)
Budgeted cash carryover	768,058	768,058	-	
Net change in fund balance	\$ -	-	207,899	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 207,899	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			252,118	
Adjustments to expenditures for accrued wages and expenditures			(137,960)	
Net change in fund balance (GAAP)			\$ 322,057	

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



**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
STATEMENT OF NET POSITION  
PROPRIETARY FUND - JOINT UTILITY FUND  
As of June 30, 2014**

		<u>2014</u>
Assets and deferred inflows of resources:		
Assets:		
Cash and cash equivalents	\$	3,466,558
Receivables		
Accounts receivable		344,586
Taxes receivable		8,609
Other receivables		<u>1,300</u>
Total current assets		3,821,053
Non-current assets:		
Capital assets		14,674,518
Less: Accumulated depreciation		<u>(3,014,633)</u>
Total non-current assets		<u>11,659,885</u>
Total assets		<u>15,480,938</u>
Deferred Outflows of Resources:		
Total deferred outflows of resources		<u>-</u>
Total assests and deferred outflows of resources	\$	<u><u>15,480,938</u></u>
Liabilities, deferred inflows of resources and net position:		
Liabilities:		
Accounts payable	\$	55,827
Accrued payroll liabilities		10,776
Customer deposits		91,072
Current portion of compensated absences		8,033
Current portion of long-term debt		<u>31,079</u>
Total current liabilities		196,787
Non-current liabilities		
Compensated absences		2,009
Notes payable		<u>98,942</u>
Total non-current liabilities		<u>100,951</u>
Total liabilities		297,738
Deferred inflows of resources:		
Deferred revenue		<u>-</u>
Total deferred inflows of resources		<u>-</u>
Net position		
Net Investment in Capital Assets		11,529,864
Unrestricted Net Position		<u>3,653,336</u>
Total net position		<u>15,183,200</u>
Total liabilities, deferred inflows of resources and net position:	\$	<u><u>15,480,938</u></u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS - JOINT UTILITY FUND  
For the Year Ended June 30, 2014**

	<u>2014</u>
Operating revenues:	
Charges for services	\$ <u>1,949,333</u>
Total operating revenues	<u>1,949,333</u>
Operating expenses:	
Personnel services	427,154
Operating expenses	1,559,837
Depreciation and amortization	<u>404,472</u>
Total operating expenses	2,391,463
Operating income (loss)	(442,130)
Non-operating revenues (expenses):	
Grant revenues	-
Gross receipts and other taxes	133,138
Miscellaneous	65,404
Interest income	845
Interest expense	<u>(4,806)</u>
Total non-operating revenues (expenses)	<u>194,581</u>
Income (loss) before transfers	(247,549)
Other financing sources/(uses)	
Transfers in	103,000
Transfers out	<u>(301,969)</u>
Total other financing sources/(uses)	(198,969)
Change in net position	(446,518)
Net position, beginning of year	16,005,451
Restatement	(375,733)
Beginning net position, as restated	<u>15,629,718</u>
Net position, end of year	<u>\$ <u>15,183,200</u></u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2014**

	<u>2014</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 1,897,670
Payments to suppliers and employees	(1,648,158)
Payments to employees	<u>(422,945)</u>
Net cash provided (used) for operating activities	(173,433)
Cash flows from noncapital financing activities:	
Transfers from other funds	103,000
Transfers to other funds	(301,969)
Tax receipts	133,138
Intergovernmental receipts	-
Miscellaneous income	<u>72,823</u>
Net cash provided (used) for noncapital financing activities	6,992
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(10,074)
Principal paid on long-term debt	(30,173)
Interest paid on long-term debt	<u>(4,806)</u>
Net cash provided (used) for capital and related financing activities.	(45,053)
Cash flows from investing activities:	
Interest and dividends	<u>845</u>
Net cash provided (used) for investing activities.	845
Net increase (decrease) in cash and cash equivalents	(210,649)
Cash and cash equivalents – beginning of year	<u>3,675,107</u>
Cash and cash equivalents – end of year	\$ <u><u>3,464,458</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (442,130)
Adjustments	
Depreciation and amortization	404,472
Bad debt expense	(61,943)
Changes in assets and liabilities:	
Receivables	(51,663)
Accounts payable	(30,618)
Accrued expenses and other liabilities	3,765
Deposits	4,240
Compensated absences	<u>444</u>
Net cash provided by operating activities	\$ <u><u>(173,433)</u></u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 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 generally accepted accounting principles (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 City's most significant accounting policies are described below.

*A. Reporting Entity*

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing

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CITY OF LORDSBURG  
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FOR THE YEAR ENDED JUNE 30, 2014**

relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City has a publicly funded Housing Authority that is considered a component unit of the City. The financial statements of the City of Lordsburg Public Housing Authority have been included in the City's financial statements as a discretely presented component unit. The Authority is reported as a proprietary fund type. The City is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2014.

Complete financial statements for the City of Lordsburg Public Housing Authority can be obtained directly from the housing authority's administrative office. Please address requests to the Executive Director, Lordsburg Housing Authority, 1001 Ave Del Sol, Lordsburg, NM 88045.

*B. Basis of Accounting/Measurement Focus*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

*Government-Wide Financial Statements*

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*

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Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

*Governmental Fund Financial Statements*

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements.

The City reports the general fund as a major governmental 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.

In addition, the City reports the following other major funds:

Capital Projects Fund – Water Project Fund -To account for the construction of the water treatment plant and waterline improvements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

*Proprietary Fund Financial Statements*

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. The City's lone proprietary fund is the Joint Utility Fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues, such as charges for services, in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues, such as subsidies/grants and investment earnings, are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

*C. Assets, Liabilities and Equity*

Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in pooled cash and investments are considered to be cash equivalents for the purposes of the statement of cash flows, except for certificates of deposit or other investments that have original maturities of more than 90 days.

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Investments

The City's investments are regulated by state law as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, which is determined using selected bases. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Investments in a U.S. Treasury Fund and repurchase agreements are valued at the last reported sales price at current exchange rates.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased. The City current does not hold any items in inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or



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business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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 included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). 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 adjusted for all deletions.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the City during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

Asset Type	Years
Land	Perpetuity
Construction in progress	Perpetuity
Buildings	15 - 40
Other improvements	15 - 40
Infrastructure	10 - 80
Utility system	5 - 80
Machinery and equipment	5 - 10

**Analysis of Impairment**

Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such City assets at June 30, 2014.

**Restricted Assets**

Certain long-term assets 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 in trust for others.

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Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on their tenure with the City. Accumulated unused vacation may be carried from one calendar year to another but the amount of annual leave carry over cannot exceed 40 hours. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is not be reported in the governmental fund balance sheet unless it was actually due and payable at year end for payments due to retired or terminated employees.

The City allows full-time employees to accumulate unused sick leave. Accumulated unused sick leave is not paid upon termination from employment or retirement. Sick leave is only paid upon illness while in the employment of the City. Accordingly, no provision for accumulated sick leave has been made in the accompanying financial statements.

Short-Term Obligations

No short-term debt occurred during the current fiscal year.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of fund net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an

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acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

There are two types of deferred inflows. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding deferred inflow of resources (commonly referred to as unearned revenue). The other type of deferred inflow is "unavailable revenue." Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources.

The property taxes receivable are an aggregate of uncollected amounts assessed for the current fiscal year, as well as delinquent balances carried forward from the nine preceding fiscal years. While some of the delinquent outstanding balances will eventually be eliminated through corrections, litigation, and other property tax administrative procedures, the majority of the balances will ultimately be realized through delinquent payment or tax sales. The aggregate amount of this ultimate realization is generally difficult to ascertain at any point in time. Thus, taxes not collected within sixty days official year end are carried in the deferred inflow of resources section of the balance sheet as "unavailable revenue" on the fund basis financial statements

**Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

*Governmental Fund Financial Statements.* In accordance with GASBS No. 54, the City classifies fund balances in the governmental funds as follows:

*Nonspendable Fund Balance* includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements. Examples are Prepaid Expenses and Inventory.

*Spendable Fund Balance* includes Restricted, Committed, Assigned, and Unassigned designations:

*Restricted* includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* includes fund balance amounts that are obligated to a specific purpose

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which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision making authority (City Council). These commitments can only be overturned by a like action.

*Assigned* includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the City Council, Mayor, or City Clerk/Finance Director for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the City Council at any public meeting.

*Unassigned* includes residual positive fund balances within the General Fund, which have not been classified within the other above mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

See the Schedule of Fund Balances on page 62 for additional information about fund balances.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the City's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed.

The City does not have a formal minimum fund balance requirement.

Net Position

*Government-wide and Proprietary Fund Financial Statements.* The City classifies net position in the government-wide and proprietary fund financial statements as follows:

*Net Investment in Capital Assets* includes the City's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Position* includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The City typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

*Unrestricted Net Position* typically includes unrestricted liquid assets. The City Council

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has the authority to revisit or alter this designation.

*D. Inter-Fund Transactions*

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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 available financial resources.

*E. Income Taxes*

As a local government entity, the City is not subject to federal or state income taxes. The City is generally no longer subject to examination by federal and state taxing authorities for years prior to 2011. For the year ended June 30, 2014, no interest or penalties were recorded or included in the financial statements.

*F. 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.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The City adopts budgets for each individual fund (governmental and proprietary).

In late winter or early spring, the City prepares a budget calendar, thus starting the budgetary process for the upcoming June 1 fiscal year. Budget request forms are distributed to City departments with a specified completion date. Legally mandated advance notices are formally published for grant availability and other purposes once budget hearings have been scheduled. The budget hearings are then held with all City department heads. Generally, in late May or early June, a budget meeting is held for tentative approval of the completed budget by the City Council. After tentative approval at the City level, the budget is submitted to the New Mexico Department of Finance and Administration (DFA) for approval of a temporary operational budget beginning June 1.

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Immediately after July 1, when ending cash balances for the preceding fiscal year have been accurately ascertained, a final hearing is convened for finalization of the budget, and it is resubmitted to DFA for formal approval. None of the above budgetary processes are legally required to occur at any specified time; however DFA requires that the time frame be such that they (DFA) render their final budget approval no later than September 1 of the budget year in question.

During the course of the fiscal year, the City prepares monthly budget reports. Under New Mexico State law, each year's budget appropriation legally lapses at year-end.

*Budgetary Compliance* – Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

*Budget Amendments* – Budget increases and decreases can only be accomplished by City Council resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

*Budgetary Basis* – State law prescribes that the City's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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, 2014 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

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.

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The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but 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

The City maintains cash in one financial institution within Lordsburg, New Mexico. The City's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institution.

The City's cash balances consist of demand deposits, interest bearing savings accounts, and short-term certificates of deposit. The majority of City's cash and investments are pooled. All interest income is accounted for in the related funds. The City does not have a deposit policy. The City's cash and cash equivalents are listed on page 63 of this report.

The following is a summary of the City's cash and cash equivalents balances by fund type as of June 30, 2014:

Fund Type	Amount
Primary government	
Governmental funds	\$ 3,220,222
Business-type activities	3,466,558
Total cash and cash equivalents - primary government	\$ 6,686,780

*Custodial Credit Risk Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the City funds may not be returned. The City does not have a deposit policy for custodial risk.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

Based on the above, the City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico. The City's Schedule of Collateral is presented on page 64 of this report.

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As of June 30, 2014, the City's bank balances of \$6,864,279 were exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$ 250,000
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the City's name.	3,353,454
Uninsured and uncollateralized	<u>3,260,825</u>
Total uninsured deposits	<u>\$ 6,864,279</u>

**NOTE 4 – INVESTMENTS**

The City's investments consisted of the following as of June 30, 2014:

Investment Type	Cost Basis	Market Value	Credit Risk-	
			Rating	Maturity
Overnight sweep account	\$ 3,104,109	3,104,109	N/A	N/A
Certificate of deposit - 3-month	391,048	391,048	N/A	3 months
	<u>\$ 3,495,157</u>	<u>3,495,157</u>		

For reporting purposes, all of the City's investments are considered cash equivalents due to their highly-liquid nature. Both of the accounts are held by the same bank as the City's other cash balances and are covered by the collateralization maintained for those balances.

**NOTE 5 – RECEIVABLES**

Receivables as of June 30, 2014 are as follows:

Governmental Activities	General	Water Proj	Nonmajor	Total
	Fund	Fund	Funds	Receivables
Accounts	\$ 363,071	-	22,089	385,160
Taxes:				
Property	11,177	-	-	11,177
State	247,142	-	39,080	286,222
Other intergovernmental	-	-	-	-
Other	-	-	37,902	37,902
Subtotal	621,390	-	99,071	720,461
Less: Allowance for uncollectibles	(129,521)	-	-	(129,521)
Net Receivables	<u>\$ 491,869</u>	<u>-</u>	<u>99,071</u>	<u>590,940</u>



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Business-type Activities	Joint
	Utility
	Fund
Accounts	\$ 527,919
Taxes:	
Property	-
State	8,609
Other intergovernmental	-
Other	1,300
Subtotal	537,828
Less: Allowance for uncollectibles	(183,333)
Net Receivables	\$ 354,495

The City has an established policy where an allowance for doubtful accounts is established for all receivable items outstanding over ninety (90) days.

In accordance with GASB No. 33, the property tax revenues totaling \$30,298 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

**NOTE 6 – 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.

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**NOTE 7 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land and construction in progress are not subject to depreciation.

	Balance				Balance
<b>GOVERNMENTAL ACTIVITIES</b>	<b>06/30/13</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjust</b>	<b>06/30/14</b>
<b>Non-depreciable capital assets:</b>					
Land	\$ 503,769	-	-	-	503,769
Construction in progress	17,976	713,046	-	-	731,022
Total non-depreciable capital assets	521,745	713,046	-	-	1,234,791
<b>Capital assets being depreciated:</b>					
Buildings	4,516,269	-	-	-	4,516,269
Improvements	3,983,538	-	-	-	3,983,538
Infrastructure	5,296,542	-	-	-	5,296,542
Machinery and equipment	2,855,633	102,556	-	-	2,958,189
Total capital assets being depreciated	16,651,982	102,556	-	-	16,754,538
<b>Less accumulated depreciation for:</b>					
Buildings	(1,236,821)	(84,846)	-	-	(1,321,667)
Improvements	(1,931,901)	(67,591)	-	-	(1,999,492)
Infrastructure	(599,102)	(112,398)	-	-	(711,500)
Machinery and equipment	(2,032,513)	(220,986)	-	-	(2,253,499)
Total accumulated depreciation	(5,800,337)	(485,821)	-	-	(6,286,158)
Total capital assets being depreciated	10,851,645	(383,265)	-	-	10,468,380
<b>BUSINESS-TYPE ACTIVITIES</b>					
	Balance				Balance
<b>BUSINESS-TYPE ACTIVITIES</b>	<b>06/30/13</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclass</b>	<b>06/30/14</b>
<b>Non-depreciable capital assets:</b>					
Land	87,715	-	-	-	87,715
Construction in progress	\$ -	-	-	-	-
Total non-depreciable capital assets	87,715	-	-	-	87,715
<b>Capital assets being depreciated:</b>					
Buildings	26,480	-	-	-	26,480
Improvements	2,805,458	-	-	-	2,805,458
Utility system	10,793,672	-	-	-	10,793,672
Machinery and equipment	951,119	10,074	-	-	961,193
Total capital assets being depreciated	14,576,729	10,074	-	-	14,586,803
<b>Less accumulated depreciation for:</b>					
Buildings	(7,951)	(530)	-	-	(8,481)
Improvements	(748,535)	(140,065)	-	-	(888,600)
Utility system	(1,013,495)	(230,044)	-	-	(1,243,539)
Machinery and equipment	(840,281)	(33,732)	-	-	(874,013)
Total accumulated depreciation	(2,610,262)	(404,371)	-	-	(3,014,633)
Total capital assets being depreciated	11,966,467	(394,297)	-	-	11,572,170
Total capital assets, net of depreciation	\$ 12,054,182	(394,297)	-	-	11,659,885

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Depreciation expense for the year ended June 30, 2014 was charged to the following functions and funds:

Governmental activities:			
General government	\$	123,561	
Public safety		134,143	
Public works		221,270	
Culture and recreation		6,848	
Total governmental activities	\$	485,822	
Business type activities		\$	404,371

**NOTE 8 – LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance				Balance	Amount due
	June 30, 2013	Increases	Decreases	Adj	June 30, 2014	within one
						year
<b>Governmental funds debt</b>						
Compensated absences	\$ 25,909	39,480	(43,152)	-	22,237	17,790
Revenues bonds payable	-	-	(3,000)	297,000	294,000	3,000
Notes payable	794,593	178,262	(95,433)	-	877,422	95,529
Total governmental activities	\$ 820,502	217,742	(141,585)	297,000	1,193,659	116,319
<b>Business-type funds debt</b>						
Compensated absences	\$ 9,597	3,679	(3,235)	-	10,041	8,033
Notes payable	160,195	-	(30,173)	-	130,022	31,079
Total business-type activities	\$ 169,792	3,679	(33,408)	-	140,063	39,112

Long-term liabilities are liquidated from the general fund and special revenue funds. Business-type long-term liabilities are liquidated from the Joint Utility Fund. No short-term debt was incurred during fiscal year 2014.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2014 are as follows.

**Governmental activities**

Revenue Bonds

Bonds payable for governmental funds at June 30, 2014 are comprised of the following:

	Series	Series
	2011A	2011B
Original issue:	6/29/2011	6/29/2011
Principal:	\$ 104,000	199,000
Interest:	29-Jun	29-Jun
Rates:	3.625%	3.50%
Maturity	6/29/2051	6/29/2051

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The June 29, 2011 Wastewater System Improvement Revenue Bonds, Series 2011A, were issued to defray, in part (i) the cost of improving and extending the City's waste water system. The Bonds are being issued pursuant to Sections 3-31-1 through 3-31-12 NMSA 1978, as amended. The 2011A Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the net revenues derived from the operation of the City's wastewater system.

The annual requirements to amortize the 2011A Bond Issue outstanding as of June 30, 2014, including interest payments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 1,000	3,670	4,670
2016	1,000	3,630	4,630
2017	1,000	3,590	4,590
2018	1,000	3,560	4,560
2019	1,000	3,520	4,520
2020-2024	9,000	16,840	25,840
2025-2029	10,000	15,070	25,070
2030-2034	10,000	13,260	23,260
2035-2039	15,000	11,080	26,080
2040-2044	16,000	8,350	24,350
2045-2049	20,000	5,090	25,090
2050-2054	16,000	1,020	17,020
<b>Total</b>	<b>\$ 101,000</b>	<b>88,680</b>	<b>189,680</b>

The June 29, 2011 Wastewater System Improvement Revenue Bonds, Series 2011B, were issued to defray, in part (i) the cost of improving and extending the City's waste water system. The Bonds are being issued pursuant to Sections 3-31-1 through 3-31-12 NMSA 1978, as amended. The 2011B Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the net revenues derived from the operation of the City's wastewater system.

The annual requirements to amortize the 2011B Bond Issue outstanding as of June 30, 2014, including interest payments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 2,000	6,740	8,740
2016	2,000	6,680	8,680
2017	2,000	6,600	8,600
2018	2,000	6,540	8,540
2019	2,000	6,460	8,460
2020-2024	16,000	31,020	47,020
2025-2029	20,000	27,700	47,700
2030-2034	20,000	24,200	44,200
2035-2039	27,000	20,330	47,330
2040-2044	30,000	15,170	45,170
2045-2049	38,000	9,410	47,410
2050-2054	32,000	1,820	33,820
<b>Total</b>	<b>\$ 193,000</b>	<b>162,670</b>	<b>355,670</b>

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Notes payable

NMFA – Water Fluoride Project

On June 1, 2009, the City borrowed \$85,000 from the New Mexico Finance Authority. The note matures on June 1, 2028, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan were used for construction on the City’s water fluoride project. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$61,983 at June 30, 2014, and equal 0.1% of future water utility revenues at their current rate. During the year ended June 30, 2014, the City collected \$635,099 in pledged revenues, and retired \$4,427 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

NMFA – Water Fluoride Project			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 4,275	152	4,427
2016	4,286	141	4,427
2017	4,297	131	4,428
2018	4,307	120	4,427
2019	4,318	109	4,427
2020-2024	21,755	383	22,138
2025-2029	17,598	110	17,708
Total	\$ 60,836	1,146	61,982

NMFA – Water Fluoride Project

On June 1, 2009, the City borrowed \$34,000 from the New Mexico Finance Authority. The note matures on June 1, 2028, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan were used for construction on the City’s water fluoride project. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$25,225 at June 30, 2014, and equal 0.1% of future water utility revenues at their current rate. During the year ended June 30, 2014, the City collected \$635,099 in pledged revenues, and retired \$1,801 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

NMFA – Water Fluoride Project			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 1,740	62	1,802
2016	1,744	58	1,802
2017	1,749	53	1,802
2018	1,753	49	1,802
2019	1,757	44	1,801
2020-2024	8,853	156	9,009
2025-2029	7,162	45	7,207
Total	\$ 17,596	422	18,018

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NMFA – 2001 Series Lodger’s Tax/GRT Bond Refunding Note

On March 1, 2001, the City issued bonds totaling \$1,125,000 to construct a public swimming pool. The bond was refinanced in December 2010 by obtaining a note payable from the New Mexico Finance Authority. The original amount on the refinanced note was \$695,000 with a maturity of May 1, 2020. A blended interest rate of 2.047% per annum is payable semi-annually on June 1 and December 1. The payments of principal and interest are paid from pledged governmental gross receipts tax revenues. The revenues pledged totaled \$465,484 at June 30, 2014, and equal 10.8% of future state shared gross receipts tax at their current rate. During the year ended June 30, 2014, the City collected \$715,743 in pledged revenues, and retired \$80,039 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

NMFA – 2001 Series Lodger’s Tax/GRT Bond Refund			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 70,000	9,262	79,262
2016	70,000	8,212	78,212
2017	70,000	6,917	76,917
2018	75,000	5,461	80,461
2019	75,000	3,751	78,751
2020-2024	70,000	1,883	71,883
Total	\$ <u>430,000</u>	<u>35,486</u>	<u>465,486</u>

NMFA – Fire Truck

On June 29, 2012, the City borrowed \$203,000 from the New Mexico Finance Authority. The note matures on May 1, 2023, and accrues interest at a blended rate of 1.75% per annum. The proceeds of the loan were used for the purchase of a fire truck. The payments of principal and interest are paid from pledged fire protection grant funds. The revenues pledged totaled \$201,105 at June 30, 2014, and equal 31.5% of future fire protection grant funds at their current rate. During the year ended June 30, 2014, the City collected \$70,858 in pledged revenues, and retired \$19,434 in principal and interest on the aforementioned note. The City has authorized the New Mexico Taxation and Revenue Department to intercept the required monthly payment from their gross receipts tax remittances.

The future payments required on the note payable are as follows:

NMFA - Fire Truck			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 19,514	2,831	22,345
2016	19,621	2,724	22,345
2017	19,772	2,573	22,345
2018	19,958	2,387	22,345
2019	20,201	2,144	22,345
2020-2024	84,500	4,880	89,380
Total	\$ <u>183,566</u>	<u>17,539</u>	<u>201,105</u>

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NMFA – Water Line Replacement

On June 21, 2013, the City borrowed \$186,118 from the New Mexico Finance Authority. The note matures on May 1, 2035, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan were used for the construction of replacement water lines throughout the City. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$191,908 at June 30, 2014, and equal 01.5% of future water utility revenues at their current rate. During the year ended June 30, 2014, the City collected \$635,099 in pledged revenues, and retired \$-0- in principal and interest on the aforementioned note. As of June 30, 2014, of the available principal of \$186,118, only \$178,262 had been drawn against the note. The remaining available funds are expected to be drawn in the following year.

The future payments required on the note payable are as follows:

NMFA - Water Line Replacement			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ -	465	465
2016	9,087	465	9,552
2017	9,110	443	9,553
2018	9,132	420	9,552
2019	9,155	397	9,552
2020-2024	46,120	1,640	47,760
2025-2029	46,700	1,061	47,761
2030-2034	47,286	474	47,760
2035-2039	1,672	24	1,696
Total	\$ 178,262	5,389	183,651

The aggregated future payments required on the NMFA notes payable are as follows.

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 95,529	12,772	108,301
2016	104,738	11,600	116,338
2017	104,928	10,117	115,045
2018	110,150	8,437	118,587
2019	110,431	6,445	116,876
2020-2024	231,228	8,942	240,170
2025-2029	71,460	1,216	72,676
2030-2034	47,286	474	47,760
2035-2039	1,672	24	1,696
	\$ 877,422	60,027	937,449

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**Business-type activities**

Notes payable

NMED – RIP 93-06 R – Water System Improvements

On February 22, 1994, the City borrowed \$500,000 from the New Mexico Environment Department. The note matures on May 12, 2018, and carries a 3% interest rate per annum. The proceeds of the loan are to be used for improvements to the City’s water system. The payments of principal are paid from pledged net system revenues of the water utility system. The revenues pledged totaled \$139,917 at June 30, 2014, and equal 24.9% of future estimated net revenues at their current rate. During the year ended June 30, 2014, the City collected \$140,235 in pledged revenues, and retired \$34,979 in principal and interest on the aforementioned note.

The future payments required on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 31,079	3,901	34,980
2016	32,011	2,968	34,979
2017	32,971	2,008	34,979
2018	33,960	1,019	34,979
Total	\$ 130,021	9,896	139,917

**NOTE 9 – INTERFUND BALANCES AND TRANSFERS**

The City recorded interfund transfers to reflect activity occurring between funds. Transfers and payments within the City are substantially for the purpose of subsidizing operating functions and funding various projects within the City. All transfers made during the year were considered routine and were consistent with the general characteristics of the City’s transfer policy.

The composition of interfund transfers during the year ended June 30, 2014 was as follows:

	<b>Transfers In</b>					<b>Total</b>
	<b>General</b>	<b>Water Proj</b>	<b>Non-Major Govern-mental</b>	<b>Joint Utility</b>		
<b>Transfers Out</b>						
General	\$ -	-	196,352	103,000	299,352	
Water Project Fund	-	-	-	-	-	
Non-Major Governmental	8,000	-	66,570	-	74,570	
Joint Utility Fund	278,713	-	23,256	-	301,969	
<b>Total</b>	\$ 286,713	-	286,178	103,000	675,891	

The City recorded interfund receivables/payables to reflect temporary loans between funds. The purpose of the loans was to cover cash shortages until grant reimbursements or other funding



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measures could be obtained. All interfund balances are expected to be repaid within one year. Interfund balances as of June 30, 2014, are as follows:

Due To Fund	Due From Fund	Amount
General Fund	CDBG Fund-Nonmajor spec rev fund	\$ 1,071

**NOTE 10 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries and natural disasters.

City of Lordsburg has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insurers Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The City pays an annual premium to New Mexico Self-Insured Fund for general insurance coverage and all risk of loss is transferred. The premiums paid for the year ended June 30, 2014 totaled \$215,843.

**NOTE 11 – PERA PENSION PLAN**

*Plan Description.* Substantially all of the City’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 <http://www.pera.state.nm.us>.

*Funding Policy.* Plan members are required to contribute 7.00% of their gross salary for municipal employees and 18.50% of gross salary for law enforcement employees. The City is required to contribute 7.00% of the gross salary for municipal employees and 18.50% of gross salary for law enforcement employees 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, 2014, 2013, 2012, and were \$138,599, \$123,403, \$123,403, and \$92,347 respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 12 – POST EMPLOYMENT BENEFITS**

The Retiree Health Care Act, Chapter IV, Article 7C NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The City has elected not to participate in the post-employment health insurance plan.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 13 – OPERATING LEASES**

The City has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

Fiscal Year		
Ending June 30,	\$	Amount
2015	\$	2,178
2016		2,178
2017		2,178
2018		1,089
2019		-
Total	\$	7,623

Rental payments charged to current operations for the year ended June 30, 2014 totaled \$1,089.

**NOTE 14 – FUND DEFICITS AND NON-COMPLIANCE**

Deficit Fund Balances

The City did not have any funds that had deficit fund balances as of June 30, 2014.

Legal Compliance with Budget

The City was not in compliance with Section 6-6-6 of the New Mexico State Statues regarding legal compliance with approved budgets.

Fund	Category	Budget Amount	Actual Amount	Over Expended
Water project fund	Expenditures	\$ 177,000	713,046	(536,046)

**NOTE 15 – CONTINGENCIES**

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds of the overall financial position of the City.

The City is party to various legal proceedings, which are the unavoidable results of governmental operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City’s legal counsel that resolution of these matters will not have a material effect on the financial condition of the City.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 16 – COMMITMENTS**

Commitments for engineering and construction projects relating to construction or major repairs in progress aggregated approximately \$725,555 as of June 30, 2014. The total amounts spent as of June 30, 2014 on the projects was \$-0-. The percentage of completion of the existing projects varies based on the project. These projects will be paid in future periods as work is performed. Payment will be made with proceeds remaining from debt issuances, operating revenues, and future grants to be received.

**NOTE 17 – RESTATEMENTS OF BEGINNING FUND BALANCES/NET POSITION**

Fund	Purpose/Reason	Amount
Governmental funds		
Major funds		
General fund	Prior year taxes receivable were understated	\$ 225,639
General fund	Prior year payroll liabilities were understated	(185,793)
General fund	Prior year cash balances were overstated	(84,833)
General fund	Prior year utility receivables were understated	44,077
Total general fund restatements		(910)
Nonmajor funds		
Road fund	Prior year cash balances were overstated.	(72,044)
Lodgers' tax fund	Prior year cash balances were overstated.	(14,464)
Total governmental funds		<u>(87,418)</u>
Government-wide statements	Applicable adjustments from above	(87,418)
	Long-term debt was understated in the prior year.	(297,000)
Total governmental activities		<u>\$ (384,418)</u>
Proprietary funds	Prior year utility receivables were overstated.	<u>\$ (375,733)</u>

**NOTE 18 – EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through March 12, 2015, the date which the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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).

**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)

**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**

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

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

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

**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 FUNDS  
As of June 30, 2014**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 954,588	216,797	187,996	1,359,381
Receivables				
Accounts receivable	22,089	-	-	22,089
Taxes receivable	39,080	-	-	39,080
Other receivables	-	37,902	-	37,902
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>1,015,757</u>	<u>254,699</u>	<u>187,996</u>	<u>1,458,452</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources				
	<u>\$ 1,015,757</u>	<u>254,699</u>	<u>187,996</u>	<u>1,458,452</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	10,761	-	-	10,761
Accrued payroll liabilities	\$ 6,741	-	-	6,741
Due to other fund	-	1,071	-	1,071
Due to other government	-	-	-	-
Total liabilities	<u>17,502</u>	<u>1,071</u>	<u>-</u>	<u>18,573</u>
Deferred Inflows of Resources:				
"Unavailable" revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	925,656	253,628	187,996	1,367,280
Committed	72,599	-	-	72,599
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>998,255</u>	<u>253,628</u>	<u>187,996</u>	<u>1,439,879</u>
Total liabilities, deferred inflows of resources and fund balances:				
	<u>\$ 1,015,757</u>	<u>254,699</u>	<u>187,996</u>	<u>1,458,452</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Totals</u>
Revenues:				
Taxes				
Property	\$ -	-	-	-
Gross receipts	247,508	-	-	247,508
Other	224,846	-	-	224,846
Licenses and permits	4,070	-	-	4,070
Charges for services	60,237	-	-	60,237
Fines and forfeitures	-	-	-	-
Intergovernmental revenue				
Federal grants	-	422,000	-	422,000
State grants	96,858	3,772	-	100,630
Interest income	205	6	-	211
Miscellaneous income	103,019	76,186	-	179,205
Total revenues	<u>736,743</u>	<u>501,964</u>	<u>-</u>	<u>1,238,707</u>
Expenditures:				
Current:				
General government	-	-	105	105
Public safety	87,727	-	-	87,727
Public works	190,123	92,745	-	282,868
Culture and recreation	187,294	-	-	187,294
Health and welfare	61,685	-	-	61,685
Capital outlay	16,640	473,130	-	489,770
Debt service				
Principal	19,434	3,000	75,999	98,433
Interest	5,353	10,486	5,276	21,115
Total expenditures	<u>568,256</u>	<u>579,361</u>	<u>81,380</u>	<u>1,228,997</u>
Excess (deficiency) of revenues over (under) expenditures	168,487	(77,397)	(81,380)	9,710
Other financing sources (uses):				
Proceeds from debt issuance	-	-	-	-
Transfers in	226,134	17,000	43,044	286,178
Transfers out	(74,570)	-	-	(74,570)
Total other financing sources (uses):	<u>151,564</u>	<u>17,000</u>	<u>43,044</u>	<u>211,608</u>
Net change in fund balances	320,051	(60,397)	(38,336)	221,318
Beginning fund balance	764,712	314,025	226,332	1,305,069
Restatement	(86,508)	-	-	(86,508)
Beginning fund balance, as restated	<u>678,204</u>	<u>314,025</u>	<u>226,332</u>	<u>1,218,561</u>
Ending fund balance	<u>\$ 998,255</u>	<u>253,628</u>	<u>187,996</u>	<u>1,439,879</u>

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
As of June 30, 2014

	Road Fund	Fire Fund	Corrections Fund	Law Enforcement Fund	Cemetarty Fund	Lodgers' Tax	Recreation Fund	Special Events Center	Total
Assets and deferred inflows of resources:									
Assets:									
Cash and cash equivalents	\$ 43,938	222,319	29,419	8,231	58,958	450,759	67,010	73,954	954,588
Receivables									
Accounts receivable	-	-	-	-	-	22,089	-	-	22,089
Taxes receivable	39,080	-	-	-	-	-	-	-	39,080
Due from other funds	-	-	-	-	-	-	-	-	-
Total assets	<u>83,018</u>	<u>222,319</u>	<u>29,419</u>	<u>8,231</u>	<u>58,958</u>	<u>472,848</u>	<u>67,010</u>	<u>73,954</u>	<u>1,015,757</u>
Deferred Outflows of Resources:									
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assests and deferred outflows of resources	<u>\$ 83,018</u>	<u>222,319</u>	<u>29,419</u>	<u>8,231</u>	<u>58,958</u>	<u>472,848</u>	<u>67,010</u>	<u>73,954</u>	<u>1,015,757</u>
Liabilities, deferred inflows of resources and fund balances:									
Liabilities:									
Accounts payable	\$ 7,699	472	-	-	123	-	2,185	282	10,761
Accrued payroll liabilities	1,180	-	-	-	1,389	-	3,099	1,073	6,741
Due to other fund	-	-	-	-	-	-	-	-	-
Due to other government	-	-	-	-	-	-	-	-	-
Total liabilities	<u>8,879</u>	<u>472</u>	<u>-</u>	<u>-</u>	<u>1,512</u>	<u>-</u>	<u>5,284</u>	<u>1,355</u>	<u>17,502</u>
Deferred Inflows of Resources:									
"Unavailable" revenues	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:									
Restricted	74,139	221,847	29,419	8,231	57,446	472,848	61,726	-	925,656
Committed	-	-	-	-	-	-	-	72,599	72,599
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>74,139</u>	<u>221,847</u>	<u>29,419</u>	<u>8,231</u>	<u>57,446</u>	<u>472,848</u>	<u>61,726</u>	<u>72,599</u>	<u>998,255</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 83,018</u>	<u>222,319</u>	<u>29,419</u>	<u>8,231</u>	<u>58,958</u>	<u>472,848</u>	<u>67,010</u>	<u>73,954</u>	<u>1,015,757</u>

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



STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
As of June 30, 2014

	CDBG Funds	2007-2008 Co-Op	Waste Water Reuse Fund	Totals
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ -	13	216,784	216,797
Receivables				
Accounts receivable	-	-	-	-
Taxes receivable	-	-	-	-
Other receivables	37,902	-	-	37,902
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>37,902</u>	<u>13</u>	<u>216,784</u>	<u>254,699</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 37,902</u>	<u>13</u>	<u>216,784</u>	<u>254,699</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued payroll liabilities	-	-	-	-
Due to other fund	1,071	-	-	1,071
Total liabilities	<u>1,071</u>	<u>-</u>	<u>-</u>	<u>1,071</u>
Deferred Inflows of Resources:				
"Unavailable" revenues	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	36,831	13	216,784	253,628
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>36,831</u>	<u>13</u>	<u>216,784</u>	<u>253,628</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 37,902</u>	<u>13</u>	<u>216,784</u>	<u>254,699</u>

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
As of June 30, 2014

	Debt Service Fund	Totals
Assets and deferred inflows of resources:		
Assets:		
Cash and cash equivalents	\$ 187,996	187,996
Receivables		
Accounts receivable	-	-
Taxes receivable	-	-
Other receivables	-	-
Due from other funds	-	-
Due from other governments	-	-
Total assets	187,996	187,996
Deferred Outflows of Resources:		
Total deferred outflows of resources	-	-
Total assests and deferred outflows of resources	\$ 187,996	187,996
Liabilities, deferred inflows of resources and fund balances:		
Liabilities:		
Accounts payable	\$ -	-
Accrued payroll liabilities	-	-
Due to other fund	-	-
Total liabilities	-	-
Deferred Inflows of Resources:		
"Unavailable" revenues	-	-
Total deferred inflows of resources	-	-
Fund balances:		
Nonspendable	-	-
Restricted	187,996	187,996
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total fund balances	187,996	187,996
Total liabilities, deferred inflows of resources and fund balances:	\$ 187,996	187,996

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2014

	Road Fund	Fire Fund	Corrections Fund	Law Enforcement Fund	Cemetery Fund	Lodgers' Tax	Recreation Fund	Special Events Center	Total
Revenues:									
Taxes									
Gross receipts	\$ 247,508	-	-	-	-	-	-	-	247,508
Other	-	-	-	-	-	224,846	-	-	224,846
Licenses and permits	-	-	-	-	4,070	-	-	-	4,070
Charges for services	-	-	35,454	-	9,643	-	7,438	7,702	60,237
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Intergovernmental revenue									
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	70,858	-	26,000	-	-	-	-	96,858
Interest income	-	99	-	-	28	73	5	-	205
Miscellaneous income	10	100,245	-	-	-	-	-	2,764	103,019
Total revenues	<u>247,518</u>	<u>171,202</u>	<u>35,454</u>	<u>26,000</u>	<u>13,741</u>	<u>224,919</u>	<u>7,443</u>	<u>10,466</u>	<u>736,743</u>
Expenditures:									
Current:									
Public safety	-	29,283	33,944	24,500	-	-	-	-	87,727
Public works	190,123	-	-	-	-	-	-	-	190,123
Culture and recreation	-	-	-	-	-	63,290	68,731	55,273	187,294
Health and welfare	-	-	-	-	61,685	-	-	-	61,685
Capital outlay	11,441	118	-	-	4,602	-	102	377	16,640
Debt service									
Principal	-	19,434	-	-	-	-	-	-	19,434
Interest	-	5,353	-	-	-	-	-	-	5,353
Total expenditures	<u>201,564</u>	<u>54,188</u>	<u>33,944</u>	<u>24,500</u>	<u>66,287</u>	<u>63,290</u>	<u>68,833</u>	<u>55,650</u>	<u>568,256</u>
Excess (deficiency) of revenues over (under) expenditures	45,954	117,014	1,510	1,500	(52,546)	161,629	(61,390)	(45,184)	168,487
Other financing sources (uses):									
Transfers in	-	-	-	-	35,000	29,782	93,052	68,300	226,134
Transfers out	(34,782)	-	-	-	-	(36,788)	(1,000)	(2,000)	(74,570)
Total other financing sources (uses):	<u>(34,782)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>(7,006)</u>	<u>92,052</u>	<u>66,300</u>	<u>151,564</u>
Net change in fund balances	11,172	117,014	1,510	1,500	(17,546)	154,623	30,662	21,116	320,051
Beginning fund balance	135,011	104,833	27,909	6,731	74,992	332,689	31,064	51,483	764,712
Restatement	(72,044)	-	-	-	-	(14,464)	-	-	(86,508)
Beginning fund balance, as restated	<u>62,967</u>	<u>104,833</u>	<u>27,909</u>	<u>6,731</u>	<u>74,992</u>	<u>318,225</u>	<u>31,064</u>	<u>51,483</u>	<u>678,204</u>
Ending fund balance	<u>\$ 74,139</u>	<u>221,847</u>	<u>29,419</u>	<u>8,231</u>	<u>57,446</u>	<u>472,848</u>	<u>61,726</u>	<u>72,599</u>	<u>998,255</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2014**

	<u>CDBG Funds</u>	<u>2007-2008 Co- Op</u>	<u>Waste Water Reuse Fund</u>	<u>Totals</u>
Revenues:				
Intergovernmental revenue				
Federal grants	\$ 422,000	-	-	422,000
State grants	-	3,772	-	3,772
Other grants	-	-	-	-
Interest income	-	6	-	6
Miscellaneous income	-	-	76,186	76,186
Total revenues	<u>422,000</u>	<u>3,778</u>	<u>76,186</u>	<u>501,964</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	76	-	92,669	92,745
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	385,093	3,772	84,265	473,130
Debt service				
Principal	-	-	3,000	3,000
Interest	-	-	10,486	10,486
Total expenditures	<u>385,169</u>	<u>3,772</u>	<u>190,420</u>	<u>579,361</u>
Excess (deficiency) of revenues over (under) expenditures	36,831	6	(114,234)	(77,397)
Other financing sources (uses):				
Proceeds from debt issuance	-	-	-	-
Transfers in	-	-	17,000	17,000
Transfers out	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>17,000</u>
Net change in fund balances	36,831	6	(97,234)	(60,397)
Beginning fund balance	-	7	314,018	314,025
Restatement	-	-	-	-
Beginning fund balance, as restated	<u>-</u>	<u>7</u>	<u>314,018</u>	<u>314,025</u>
Ending fund balance	<u>\$ 36,831</u>	<u>13</u>	<u>216,784</u>	<u>253,628</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
For the Year Ended June 30, 2014**

	<b>Debt Service Fund</b>	<b>Totals</b>
Revenues:		
Miscellaneous income	-	-
Total revenues	\$ -	-
Expenditures:		
Current:		
General government	105	105
Capital outlay	-	-
Debt service		
Principal	75,999	75,999
Interest	5,276	5,276
Total expenditures	81,380	81,380
Excess (deficiency) of revenues over (under) expenditures	(81,380)	(81,380)
Other financing sources (uses):		
Transfers in	43,044	43,044
Transfers out	-	-
Total other financing sources (uses):	43,044	43,044
Net change in fund balances	(38,336)	(38,336)
Beginning fund balance	226,332	226,332
Restatement	-	-
Beginning fund balance, as restated	226,332	226,332
Ending fund balance	\$ 187,996	187,996

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
ROAD FUND - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes				
Gross receipts	\$ -	-	208,428	208,428
Interest income	-	-	-	-
Miscellaneous income	-	-	9	9
Total revenues	-	-	208,437	208,437
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	267,152	267,152	184,507	82,645
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	16,733	16,733	11,441	5,292
Total expenditures	283,885	283,885	195,948	87,937
Excess (deficiency) of revenues over (under) expenditures	(283,885)	(283,885)	12,489	120,500
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(5,000)	(5,000)	(34,782)	29,782
Total other financing sources (uses):	(5,000)	(5,000)	(34,782)	29,782
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(288,885)	(288,885)	(22,293)	150,282
Budgeted cash carryover	288,885	288,885	22,293	
Net change in fund balance	\$ -	-	-	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (22,293)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			39,080	
Adjustments to expenditures for accrued wages and expenditures			(5,615)	
Net change in fund balance (GAAP)			\$ 11,172	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
FIRE FUND - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
State grants	\$ 58,584	58,584	46,071	(12,513)
Other grants	-	-	-	-
Interest income	200	200	99	(101)
Miscellaneous income	-	-	100,245	100,245
Total revenues	58,784	58,784	146,415	87,631
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	47,985	47,985	29,241	18,744
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	99,422	99,422	118	99,304
Total expenditures	147,407	147,407	29,359	118,048
Excess (deficiency) of revenues over (under) expenditures	(88,623)	(88,623)	117,056	(30,417)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(88,623)	(88,623)	117,056	(30,417)
Budgeted cash carryover	88,623	88,623	-	
Net change in fund balance	\$ -	-	117,056	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 117,056	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			24,787	
Adjustments to expenditures for accrued wages and expenditures			(24,829)	
Net change in fund balance (GAAP)			\$ 117,014	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
CORRECTIONS FUND - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Charges for services	\$ 49,774	64,844	35,454	(29,390)
Total revenues	49,774	64,844	35,454	(29,390)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	49,776	52,044	33,944	18,100
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	49,776	52,044	33,944	18,100
Excess (deficiency) of revenues over (under) expenditures	(2)	12,800	1,510	(47,490)
Other financing sources (uses):				
Proceeds from debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(2)	12,800	1,510	(47,490)
Budgeted cash carryover	2	-	-	
Net change in fund balance	-	12,800	1,510	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 1,510	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			-	
Net change in fund balance (GAAP)			\$ 1,510	

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



STATE OF NEW MEXICO  
CITY OF LORDSBURG  
LAW ENFORCEMENT FUND - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
State grants	\$ 26,000	26,000	26,000	-
Other grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	26,000	26,000	26,000	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	26,000	26,000	24,500	1,500
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	26,000	26,000	24,500	1,500
Excess (deficiency) of revenues over (under) expenditures	-	-	1,500	(1,500)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	1,500	(1,500)
Budgeted cash carryover	-	-	-	
Net change in fund balance	\$ -	-	1,500	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 1,500	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			-	
Net change in fund balance (GAAP)			\$ 1,500	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
CEMETARY FUND - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Licenses and permits	\$ 5,600	5,600	4,070	(1,530)
Charges for services	6,000	6,000	9,643	3,643
Fines and forfeitures	-	-	-	-
Interest income	1,000	1,000	27	(973)
Miscellaneous income	-	-	-	-
Total revenues	12,600	12,600	13,740	1,140
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	78,312	78,312	61,359	16,953
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	9,600	9,600	4,602	4,998
Total expenditures	87,912	87,912	65,961	21,951
Excess (deficiency) of revenues over (under) expenditures	(75,312)	(75,312)	(52,221)	(20,811)
Other financing sources (uses):				
Transfers in	35,000	35,000	35,000	-
Transfers out	-	-	-	-
Total other financing sources (uses):	35,000	35,000	35,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(40,312)	(40,312)	(17,221)	(20,811)
Budgeted cash carryover	40,312	40,312	17,221	
Net change in fund balance	\$ -	-	-	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (17,221)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			(325)	
Net change in fund balance (GAAP)			\$ (17,546)	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
LODGERS TAX FUND - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Other	\$ 220,729	220,729	222,406	1,677
Interest income	-	-	73	73
Total revenues	<u>220,729</u>	<u>220,729</u>	<u>222,479</u>	<u>1,750</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	95,602	95,602	63,290	32,312
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>95,602</u>	<u>95,602</u>	<u>63,290</u>	<u>32,312</u>
Excess (deficiency) of revenues over (under) expenditures	125,127	125,127	159,189	(30,562)
Other financing sources (uses):				
Transfers in	98,102	98,102	127,884	29,782
Transfers out	<u>(245,254)</u>	<u>(245,254)</u>	<u>(134,890)</u>	<u>(110,364)</u>
Total other financing sources (uses):	<u>(147,152)</u>	<u>(147,152)</u>	<u>(7,006)</u>	<u>(80,582)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(22,025)	(22,025)	152,183	<u>(111,144)</u>
Budgeted cash carryover	<u>22,025</u>	<u>22,025</u>	-	
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>152,183</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 152,183	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			2,440	
Adjustments to expenditures for accrued wages and expenditures			<u>-</u>	
Net change in fund balance (GAAP)			<u>\$ 154,623</u>	

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
RECREATION FUND - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 6,508	6,508	7,438	930
Interest income	500	500	5	(495)
Miscellaneous income	-	-	-	-
Total revenues	<u>7,008</u>	<u>7,008</u>	<u>7,443</u>	<u>435</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	109,520	109,520	69,297	40,223
Health and welfare	-	-	-	-
Capital outlay	<u>7,200</u>	<u>7,200</u>	<u>102</u>	<u>7,098</u>
Total expenditures	<u>116,720</u>	<u>116,720</u>	<u>69,399</u>	<u>47,321</u>
Excess (deficiency) of revenues over (under) expenditures	(109,712)	(109,712)	(61,956)	(46,886)
Other financing sources (uses):				
Transfers in	93,052	93,052	93,052	-
Transfers out	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>92,052</u>	<u>92,052</u>	<u>92,052</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(17,660)	(17,660)	30,096	<u>(46,886)</u>
Budgeted cash carryover	<u>17,660</u>	<u>17,660</u>	<u>-</u>	
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>30,096</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 30,096	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			<u>566</u>	
Net change in fund balance (GAAP)			<u>\$ 30,662</u>	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SPECIAL EVENTS CENTER - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 25,022	25,022	7,702	(17,320)
Miscellaneous income	-	-	2,764	2,764
Total revenues	<u>25,022</u>	<u>25,022</u>	<u>10,466</u>	<u>(14,556)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	117,158	117,158	55,212	61,946
Health and welfare	-	-	-	-
Capital outlay	15,000	15,000	377	14,623
Total expenditures	<u>132,158</u>	<u>132,158</u>	<u>55,589</u>	<u>76,569</u>
Excess (deficiency) of revenues over (under) expenditures	(107,136)	(107,136)	(45,123)	(91,125)
Other financing sources (uses):				
Transfers in	68,300	68,300	68,300	-
Transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>66,300</u>	<u>66,300</u>	<u>66,300</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(40,836)	(40,836)	21,177	<u>(91,125)</u>
Budgeted cash carryover	<u>40,836</u>	<u>40,836</u>	<u>-</u>	
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>21,177</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 21,177	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			<u>(61)</u>	
Net change in fund balance (GAAP)			<u>\$ 21,116</u>	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
WATER PROJECT FUND - MAJOR CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue				
Federal grants	\$ 556,493	556,493	534,785	(21,708)
State grants	187,979	187,979	-	(187,979)
Miscellaneous income	-	-	59	59
Total revenues	<u>744,472</u>	<u>744,472</u>	<u>534,844</u>	<u>(209,628)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	177,000	713,046	(536,046)
Total expenditures	<u>-</u>	<u>177,000</u>	<u>713,046</u>	<u>(536,046)</u>
Excess (deficiency) of revenues over (under) expenditures	744,472	567,472	(178,202)	326,418
Other financing sources (uses):				
Proceeds from debt issuance	-	-	178,262	178,262
Transfers in	16,312	16,312	-	(16,312)
Transfers out	-	-	-	-
Total other financing sources (uses):	<u>16,312</u>	<u>16,312</u>	<u>178,262</u>	<u>161,950</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	760,784	583,784	60	<u>488,368</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>	<u>-</u>	
Net change in fund balance	<u>\$ 760,784</u>	<u>583,784</u>	<u>60</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 60	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			<u>-</u>	
Net change in fund balance (GAAP)			<u>\$ 60</u>	

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
CDBG FUND - CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
Federal grants	\$ 422,000	422,000	384,098	(37,902)
State grants	-	-	-	-
Total revenues	422,000	422,000	384,098	(37,902)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	76	(76)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	423,000	423,000	385,093	37,907
Total expenditures	423,000	423,000	385,169	37,831
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(1,000)	(1,071)	(75,733)
Other financing sources (uses):				
Transfers in	15,000	15,000	-	(15,000)
Transfers out	-	-	-	-
Total other financing sources (uses):	15,000	15,000	-	(15,000)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	14,000	14,000	(1,071)	(90,733)
Budgeted cash carryover	-	-	1,071	
Net change in fund balance	\$ 14,000	14,000	-	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (1,071)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			37,902	
Adjustments to expenditures for accrued wages and expenditures			-	
Net change in fund balance (GAAP)			\$ 36,831	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
CO-OP FUND - CAPITAL PROJECT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue				
Federal grants	-	-	-	-
State grants	\$ 48,935	48,935	3,772	(45,163)
Other grants	-	-	-	-
Interest income	-	-	7	7
Total revenues	<u>48,935</u>	<u>48,935</u>	<u>3,779</u>	<u>(45,156)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	<u>65,247</u>	<u>65,247</u>	<u>3,772</u>	<u>61,475</u>
Total expenditures	<u>65,247</u>	<u>65,247</u>	<u>3,772</u>	<u>61,475</u>
Excess (deficiency) of revenues over (under) expenditures	(16,312)	(16,312)	7	(106,631)
Other financing sources (uses):				
Transfers in	16,312	16,312	-	(16,312)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>16,312</u>	<u>16,312</u>	<u>-</u>	<u>(16,312)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	7	<u>(122,943)</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>	<u>-</u>	
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>7</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 7	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			<u>-</u>	
Net change in fund balance (GAAP)			<u>\$ 7</u>	

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



STATE OF NEW MEXICO  
CITY OF LORDSBURG  
WW REUSE FUND - CAPITAL PROJECT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous income	\$ -	-	76,186	76,186
Total revenues	<u>-</u>	<u>-</u>	<u>76,186</u>	<u>76,186</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	177,000	92,670	84,330
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	84,265	(84,265)
Debt service				
Principal	13,600	13,600	13,486	114
Interest	-	-	-	-
Total expenditures	<u>13,600</u>	<u>190,600</u>	<u>190,421</u>	<u>179</u>
Excess (deficiency) of revenues over (under) expenditures	(13,600)	(190,600)	(114,235)	76,007
Other financing sources (uses):				
Transfers in	17,000	17,000	17,000	-
Transfers out	-	-	-	-
Total other financing sources (uses):	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	3,400	(173,600)	(97,235)	<u>76,007</u>
Budgeted cash carryover	<u>-</u>	<u>173,600</u>	<u>97,235</u>	
Net change in fund balance	<u>\$ 3,400</u>	<u>-</u>	<u>-</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (97,235)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			<u>-</u>	
Net change in fund balance (GAAP)			<u>\$ (97,235)</u>	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Miscellaneous income	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
General government	70	70	105	(35)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	70,000	70,000	70,000	-
Interest	10,039	10,039	5,019	5,020
Total expenditures	80,109	80,109	75,124	4,985
Excess (deficiency) of revenues over (under) expenditures	(80,109)	(80,109)	(75,124)	(4,985)
Other financing sources (uses):				
Transfers in	147,152	147,152	43,044	(104,108)
Transfers out	-	-	-	-
Total other financing sources (uses):	147,152	147,152	43,044	(104,108)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	67,043	67,043	(32,080)	(109,093)
Budgeted cash carryover	-	-	32,080	
Net change in fund balance	\$ 67,043	67,043	-	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (32,080)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			(6,256)	
Net change in fund balance (GAAP)			\$ (38,336)	

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
JOINT UTILITIES FUND - PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 2,152,514	2,152,514	1,949,333	(203,181)
Total operating revenues	<u>2,152,514</u>	<u>2,152,514</u>	<u>1,949,333</u>	<u>(203,181)</u>
Operating expenses:				
Personnel services	620,869	620,869	424,884	195,985
Operating expenses	1,988,525	2,235,666	1,732,288	503,378
Depreciation and amortization	-	-	-	-
Total operating expenses	<u>2,609,394</u>	<u>2,856,535</u>	<u>2,157,172</u>	<u>699,363</u>
Operating income (loss)	<u>(456,880)</u>	<u>(704,021)</u>	<u>(207,839)</u>	<u>496,182</u>
Non-operating revenues (expenses):				
Gain/(loss) on disposal of capital assets	-	-	-	-
Grant revenues	-	-	-	-
Gross receipts and other taxes	148,719	148,719	132,717	(16,002)
Miscellaneous	44,200	44,200	61,899	17,699
Interest income	7,100	7,100	845	(6,255)
Interest expense	<u>(41,408)</u>	<u>(41,408)</u>	<u>(41,235)</u>	<u>(173)</u>
Total non-operating revenues (expenses)	<u>158,611</u>	<u>158,611</u>	<u>154,226</u>	<u>(4,731)</u>
Income (loss) before transfers	<u>(298,269)</u>	<u>(545,410)</u>	<u>(53,613)</u>	<u>491,451</u>
Other financing sources/(uses)				
Transfers in	163,282	163,282	512,238	348,956
Transfers out	<u>(235,806)</u>	<u>(235,806)</u>	<u>(711,207)</u>	<u>(475,401)</u>
Total other financing sources/(uses)	<u>(72,524)</u>	<u>(72,524)</u>	<u>(198,969)</u>	<u>(126,445)</u>
Change in net position	<u>(443,317)</u>	<u>(690,458)</u>	<u>(252,582)</u>	<u>365,006</u>
Budgeted cash carryover	<u>443,317</u>	<u>690,458</u>		
Total	<u>\$ -</u>	<u>-</u>		

Reconciliation From Budget/Actual to GAAP

Change in net position (Non-GAAP budgetary basis)	\$ (252,582)
Adjustments to revenue for tax and other miscellaneous revenue accruals	3,926
Adjustments to expenditures for accrued wages and expenditures	206,610
Depreciation and other non-cash items	<u>(404,472)</u>
Change in net position (GAAP)	<u>\$ (446,518)</u>

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

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Expenditures
<b>Executive Office of the President, Office of National Drug Control Policy (New Mexico)</b>			
High Intensity Drug Trafficking Areas Program	95.001	Unknown	\$ 88,264
<b>U.S. Department of Homeland Security</b>			
Passed through NM Department of Homeland Security			
Homeland Security Grant Program	97.067*	Unknown	283,618
<b>U.S. Department of Transportation</b>			
Passed through NM Department of Transportation			
State and Community Highway Safety	20.600	14-OP-RF-054	21,602
<b>Environmental Protection Agency</b>			
Passed through NM Environment Department			
Drinking Water State Revolving Loan Fund			
Capitalization Grants for Drinking Water State Revolving Funds	66.468*	2744-DW	534,785
<b>Department of Housing and Urban Development</b>			
Passed through NM Department of Finance and Administration			
Community Development Block Grants/			
Entitlement Grants	14.218*	12-C-RS-I-07-G-08	422,000
Total primary government			<u>1,350,269</u>
<b>Department of Housing and Urban Development</b>			
Public Housing Capital Fund	14.872	Unknown	81,167
Public and Indian Housing	14.850	Unknown	153,396
Total component unit			<u>234,563</u>
Total			<u>\$ 1,584,832</u>

\* Major program

Note 1 - Basis of Presentation

The above Schedule of Expenditures of federal awards includes the federal grant activity of the City of Lorsburg and is presented on the accrual basis of accounting (see Note 1). There were no funds expended in the form of non-cash assistance for the grants during the year. There was no insurance enforced during the year for the federal award projects. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in preparation of the basic financial statements.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF FUND BALANCES  
As of June 30, 2014**

	<u>Major Funds</u>		<u>Total Non- Major Funds</u>	<u>Total Funds</u>
	<u>General Fund</u>	<u>Cap Projects Water Project Fund</u>		
Fund Balances:				
Nonspendable:				
Subtotal nonspendable funds	\$ -	-	-	-
Restricted for:				
Operate/maintain recreational facilities	-	-	61,726	61,726
Economic development efforts	-	-	472,848	472,848
Various capital project efforts	-	60	253,628	253,688
Road improvements	-	-	74,139	74,139
Debt service requirements	-	-	187,996	187,996
Fire fighting efforts/equipment	-	-	221,847	221,847
Public safety and law enforcement efforts	-	-	37,650	37,650
Operate/maintain cemetery	-	-	57,446	57,446
Subtotal restricted funds	-	60	1,367,280	1,367,340
Committed to:				
Operate/maintain recreational facilities	-	-	72,599	72,599
Subtotal committed funds	-	-	72,599	72,599
Assigned to:				
Subtotal assigned funds	-	-	-	-
Unassigned	2,258,781	-	-	2,258,781
	<u>\$ 2,258,781</u>	<u>60</u>	<u>1,439,879</u>	<u>3,698,720</u>

See independent auditor's report.

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF DEPOSITORIES  
As of June 30, 2014

<u>Account name</u>	<u>Type</u>	<u>Western Bank</u>	<u>Plus Deposits in Transit</u>	<u>Less O/S Checks</u>	<u>Balance Per Books</u>
General operating	CK*	3,051,571	-	(177,498)	2,874,073
Solid waste reserve	CK*	985	-	-	985
Bond account	CK*	454	-	-	454
CDBG 2009 water impr	CK*	3	-	-	3
Wabash st CO-OP	CK*	7	-	-	7
Animas St water impr	CK*	60	-	-	60
Swimming pool reserve	CK*	693	-	-	693
Water reuse project	CK*	47,973	-	-	47,973
WW debt service	CK*	4,949	-	-	4,949
Debt service	CK*	262,427	-	-	262,427
Ovenight account	MMKT	3,104,109	-	-	3,104,109
CD	CD	391,048	-	-	391,048
Total cash and equivalents		<u>6,864,279</u>	<u>-</u>	<u>(177,498)</u>	<u>6,686,781</u>
Total amount on deposit		6,864,279	-	(177,498)	6,686,781
FDIC coverage		<u>(250,000)</u>			
Total uninsured public funds		6,614,279			
50% collateral requirement (Section 6-10-17 NMSA-1978)		3,307,140			
Pledge security		3,553,454			
See NMFA audited financials					
Amount (over)/under collateralized		<u>(246,315)</u>			

\* denotes interest bearing account

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY  
As of June 30, 2014

Cusip ID	Description/ Maturity	Coupon	S&P Rating	Pledged Percent	Pledged	
					Par	Market Value
<b>Western Bank</b>						
<i>Safekeeping Location - FHLB: Fed Home Loan Bank</i>						
077571CM7	BELEN N MEX GROSS RCPTS TAX REV IMPT 6/1/2021	4.50	AA	100%	\$ 390,000	434,951
189387BP7	CLOVIS N MEX GROSS RCPTS TAX REV 6/1/2017	4.00	N/A	100%	185,000	190,221
189414HN8	CLOVIS N MEX SCHOOL DISTRICT SERIES 2011 8/1/2025	3.70	N/A	100%	500,000	545,530
297326EG1	ESTANCIA NM SCHOOL DIST GO BONDS SERIES 2010 6/15/2022	3.50	N/A	100%	50,000	57,851
31346VH28	FHLMC ARM Pool 7/1/2030			100%	189,574	199,088
31392FPP6	FNMA 2002-74 PE 3/15/2023			100%	159,679	168,150
362550KR5	GADSDEN NM INDPT SCH DIST NO 016 SCH BLDG-SER A 8/15/2023	3.75	N/A	100%	350,000	367,980
429308DE6	HIDALGO CNTY NM MUN SCH DIST NO 001 10/1/2016	4.00	N/A	100%	100,000	108,016
429308DF3	HIDALGO CNTY NM MUN SCH DIST NO 001 10/1/2017	4.05	N/A	100%	120,000	129,043
429308DG1	HIDALGO CNTY NM MUN SCH DIST NO 001 10/1/2018	4.10	N/A	100%	120,000	128,615
545562QH6	LOS LUNAS SCHOOL DISTRICT GO BONDS SERIES 2012 7/15/2021	2.00	N/A	100%	300,000	304,929
581615DJ7	MC KINLEY CNTY NM GROSS RCPTS TAX REV IMPT 6/1/2023	4.00	AA	100%	340,000	372,222
801889LT1	SANTA FE CNTY NM 7/1/2021	4.00	AA+	100%	250,000	279,243
82750PAL8	SILVER CITY, NM GROSS REC TAX IMPR SERIES 2011A 6/1/2022	3.25	A+	100%	250,000	267,615
					<u>\$ 3,304,253</u>	<u>3,553,454</u>

See independent auditor's report.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING  
As of June 30, 2014**

**Transfer Station**

Participants:	County of Hidalgo and City of Lordsburg
Responsible party:	County of Hidalgo
Description	This agreement was entered into to provide for operation of a regional transfer station.
Period:	Perpetual
Project costs:	Undeterminable
County contributions:	Undeterminable
Audit responsibility:	County of Hidalgo



**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
For the Year Ended June 30, 2014**

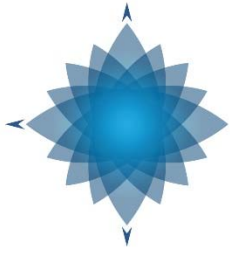
<u>Line Item</u>	<u>Description</u>	<u>Low Rent</u> <u>14.850</u>	<u>CFP</u> <u>14.872</u>	<u>Total</u>
111	Cash-unrestricted	\$ 361,842	-	361,842
114	Cash-tenant security deposits	19,075	-	19,075
100	Total cash	<u>380,917</u>	-	<u>380,917</u>
122	Accounts receivable - HUD other projects	88,575	-	88,575
126	Accounts receivable - tenants	1,012	-	1,012
126.1	Allowance for doubtful accounts - tenants	-	-	-
120	Total receivables, net of allowance for doubtful accounts	<u>89,587</u>	-	<u>89,587</u>
144	Inter-Program due from	-	<u>20,909</u>	<u>20,909</u>
150	Total current assets	<u>470,504</u>	<u>20,909</u>	<u>491,413</u>
161	Land	100,000	-	100,000
162	Buildings	4,975,277	-	4,975,277
164	Furniture, equipment and machinery - administration	122,909	-	122,909
166	Accumulated depreciation	<u>(3,165,155)</u>	-	<u>(3,165,155)</u>
160	Total capital assets, net of a/d	<u>2,033,031</u>	-	<u>2,033,031</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 2,503,535</u>	<u>20,909</u>	<u>2,524,444</u>
312	Accounts payable <= 90 days	\$ 9,839	-	9,839
321	Accrued wage/payroll taxes payable	-	-	-
322	Accrued compensated absences - current portion	-	-	-
333	Accounts payable - other government	10,405	-	10,405
341	Tenant security deposits	14,050	-	14,050
347	Inter-program due to	<u>20,909</u>	-	<u>20,909</u>
310	Total current liabilities	<u>55,203</u>	-	<u>55,203</u>
354	Accrued compensated absences - non-current	<u>3,757</u>	-	<u>3,757</u>
300	Total liabilities	<u>58,960</u>	-	<u>58,960</u>
508.1	Invested in capital assets, net of related debt	2,033,031	-	2,033,031
511.4	Restricted net position	19,075	20,909	39,984
512.4	Unrestricted net position	<u>392,469</u>	-	<u>392,469</u>
513	Total equity- net position	<u>2,444,575</u>	<u>20,909</u>	<u>2,465,484</u>
600	Total liabilities and net position	<u>\$ 2,503,535</u>	<u>20,909</u>	<u>2,524,444</u>

See independent auditor's report.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
For the Year Ended June 30, 2014**

<u>Line Item</u>	<u>Description</u>	<u>Low Rent 14.850</u>	<u>CFP 14.872</u>	<u>Total</u>
70300	Net tenant rental revenue	\$ 239,572	-	239,572
70500	Total tenant revenue	239,572	-	239,572
70600	HUD PHA operating grants	153,397	-	153,397
70610	Capital grants	-	81,167	81,167
71100	Investment income - unrestricted	617	-	617
71500	Other revenue	19,282	-	19,282
70000	Total revenue	412,868	81,167	494,035
91100	Administrative salaries	80,951	-	80,951
91200	Auditing fees	118	-	118
91500	Employee benefit contributions - administrative	20,824	-	20,824
91900	Other	58,281	-	58,281
91000	Total operating - administrative	160,174	-	160,174
93100	Water	44,999	-	44,999
93200	Electricity	5,792	-	5,792
93300	Gas	43,450	-	43,450
93800	Other utilities expense	28,676	-	28,676
93000	Total utilities	122,917	-	122,917
94100	Ordinary maintenance and operations - labor	70,973	-	70,973
94200	Ordinary maintenance and operations-materials	37,044	81,167	118,211
94300	Ordinary maintenance and operations contracts	12,610	-	12,610
94000	Total maintenance and operations	120,627	81,167	201,794
96140	All other insurance	3,000	-	3,000
96100	Total insurance premium	3,000	-	3,000
96200	Other general expenses	5,627	-	5,627
96900	Total operating expenses	412,345	81,167	493,512
97000	Excess revenues over operating expenses	523	-	523
97400	Depreciation expense	86,509	-	86,509
90000	Total expenses	498,854	81,167	580,021
100.1	Operating transfers in	-	-	
100.2	Operating transfers out	-	-	
101	Total other financing sources (uses)			
10000	Excess (deficiency) of revenues over (under) expenses	(85,986)	-	(85,986)
11030	Beginning net position	2,530,561	20,909	2,551,470
	Net position at end of year	<u>\$ 2,444,575</u>	<u>20,909</u>	<u>2,465,484</u>

See independent auditor's report.



**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**

**Independent Auditor's Report**

Timothy Keller  
New Mexico State Auditor  
The City Council  
City of Lordsburg, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue fund of the City of Lordsburg, State of New Mexico, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and the combining and individual funds and related budgetary comparisons of the City, presented as supplementary information, and have issued our report thereon dated March 12, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 questioned costs to be material weaknesses: 2014-001, 2014-002, 2014-004, 2014-005, 2014-006, 2014-007, and 2014-008

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 2013-002, 2013-001 (Component Unit)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2007-002, 2007-004, and 2014-003.

### **City of Lordsburg, State of New Mexico's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

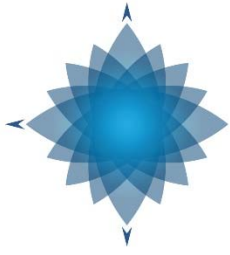
### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC  
Albuquerque, NM

March 12, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**Independent Auditor's Report**

Timothy Keller  
New Mexico State Auditor  
The City Council  
City of Lordsburg, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited the City'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 the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the City'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of 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, 2014.

### **Report on Internal Control Over Compliance**

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the City'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC  
Albuquerque, NM

March 12, 2015

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 1. Internal control over financial reporting:                                    |            |
| a. Material weakness identified?   | Yes        |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes        |
| c. Noncompliance material to the financial statements noted?                     | Yes        |

*Federal Awards:*

- |   |   |
|---|---|
| 1. Internal control over major programs:  |   |
| a. Material weaknesses identified?  | No  |
| b. Significant deficiencies identified not considered to be material weaknesses?                                      | No  |
| 2. Type of auditors' report issued on compliance for major programs   | Unmodified  |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No  |
| 4. Identification of major programs:  |   |
| CFDA<br><u>Number</u><br>97.067<br>66.468<br>14.218   | <u>Federal Program</u><br>Homeland Security Grant Program – Stonegarden<br>Capitalization Grants for Drinking Water State Revolving Funds<br>Community Development Block Grants |
| 5. Dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 6. Auditee qualified as low-risk auditee?   | No  |

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CITY OF LORDSBURG  
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**SECTION II FINDINGS – FINANCIAL STATEMENTS**

	<b>Status of</b>		
	<b>Current and</b>	<b>Financial</b>	<b>Federal</b>
	<b>Prior Year</b>	<b>Statement</b>	<b>Awards</b>
<b>Finding</b>	<b>Findings</b>	<b>Finding</b>	<b>Finding</b>
<b>Prior Year Findings</b>			
2007-001 Failure to Apply GAAP	Resolved	Yes	No
2007-002 Completion of Audit Report	Repeated/ Modified	Yes	No
2007-004 Budget	Repeated/ Modified	Yes	No
2010-001 Lodgers' Tax	Resolved	Yes	No
2012-001 Cash Reconciliation	Resolved	Yes	No
2013-001 Deficiencies in Internal Control	Resolved	Yes	No
2013-002 Tracking of Federal and State Awards	Repeated/ Modified	Yes	No
<b>Current Year Findings</b>			
2014-001 Cash Controls	Current	Yes	No
2014-002 Utility Receivables	Current	Yes	No
2014-003 Capital Assets	Current	Yes	No
2014-004 Unrecorded Revenue Bonds	Current	Yes	No
2014-005 Recording Grant/Loan Activity	Current	Yes	No
2014-006 Entries to Fund Balance/Net Position	Current	Yes	No
2014-007 Material Auditor Adjustments	Current	Yes	No
2014-008 Financial Close and Reporting	Current	Yes	No
<b>Component Unit Findings</b>			
2013-001 Completion of Audit Report	Repeated/ Modified	Yes	No

**PRIOR YEAR FINDINGS**

**2007-002 [07-02] – COMPLETION OF AUDIT REPORT  
NON-COMPLIANCE – REPEATED/ MODIFIED**

**Condition**

The audit report was not submitted to the State Auditor by the due date.

**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, 2014.

**Cause**

Information related to the City's component unit was not received timely, which caused scheduling issues with the audit firm.

**Effect**

The City is in violation of state statute and may be subject to restricted or delayed funding from granting agencies.



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CITY OF LORDSBURG  
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**Recommendation**

The City should implement procedures to ensure audits are completed timely.

**Response**

The City will work closely with the independent auditor to ensure audits are completed and filed timely.

**2007-004 [07-04] – BUDGET**

**NON-COMPLIANCE – REPEATED/ MODIFIED**

**Condition**

The City’s actual expenditures exceeded approved budgeted expenditures in one fund. The following funds exceeded approved budgeted expenditures.

<b>Fund</b>	<b>Category</b>	<b>Budget Amount</b>	<b>Actual Amount</b>	<b>Over Expended</b>
Water project fund	Expenditures	\$ 177,000	713,046	(536,046)

Expenditures in this fund were primarily related to a grant/loan from the New Mexico Finance Authority. Because the disbursements were made directly by NMFA and not Lordsburg, a budget was not created for the expenditures.

**Criteria**

New Mexico State Statutes Section 6-6-6 NMSA 1978 restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. City officials and governing authorities have the obligation to follow applicable state statutes.

**Cause**

Because the disbursements related to the grant/loan were made directly by NMFA and not Lordsburg, a budget was not created for the expenditures.

**Effect**

The City was in violation of State Statute and could be subject to fines or other restrictions.

**Recommendation**

It is recommended the City implement a process for routine monitoring of its budgetary compliance. Further, it is recommended that the City review its budgetary performance mid-year and at year end to determine if budget adjustments are needed to ensure adequate budget level are maintained.

**Response**

The City will adhere to auditor’s recommendation.

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**2013-002 [13-02] – TRACKING OF FEDERAL AND STATE AWARDS  
SIGNIFICANT DEFICIENCY – REPEATED/ MODIFIED**

**Condition**

While performing the audit and reviewing the grant activity for the year ended June 30, 2014, it was observed that the City does not track its grants accurately, nor distinguish those awards that were federally funded and those that were state funded.

While performing work related to new debt issuances, we identified a federal grant totaling \$558,354 that had not been identified as a federal award by the City. Due to the size of the grant, this was considered a major program under the Single Audit.

**Criteria**

OMB Circular A-133 Subpart C states:

The auditee shall:

- (a) Identify, in its accounts, all Federal Awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

**Cause**

The process for capturing Federal Awards and contributed federal funds has gradually relaxed over time and it is no longer fully effective.

**Effect**

City personnel could unknowingly not be following the compliance requirements on state or federal money received due to misidentifying the source of the funds. The potential exists for Federal Awards to escape inclusion in the Single Audit procedures. The City runs the risk of being out of compliance with OMB Circular A-133 Subpart C.

**Recommendation**

The process for tracking federal grants should be improved to ensure the source funds for all grants are properly identified and recorded as such. This should include the CFDA number when applicable. As new grants are obtained, a determination should be made at the inception of the grant to determine its source.

**Response**

The City will establish procedures to record source of grant funds.

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**CURRENT YEAR FINDINGS**

**2014-001 – CASH CONTROLS  
MATERIAL WEAKNESS**

**Condition**

It was observed that there were variances between the City's pooled cash balances and the balances reported in the individual funds. The cumulative variance noted was \$2,725,231.38. The balance in the pooled cash account should match that of the cumulative cash balances of the individual funds. Adjustments were made during the course of the audit to balance the funds to the pooled cash accounts.

In addition, we also noted that the reconciled cash balances varied from the balances recorded in the general ledger by a cumulative \$2,461,074.80 as of June 30, 2014.

**Criteria**

Cash accounts should be reconciled in their entirety and any outstanding transactions should be monitored and followed up on to ensure proper handling. If utilizing a pooled cash system, the pooled cash balances should be reconciled to the individual balances that make up the overall pooled balance.

**Cause**

The City was aware of the variance issue, but had not mitigated the problem and balanced the overall cash accounts to the pooled cash balances. The primary cause of the variance to the fund appeared to have been attributable to the double-booking of the City's overnight sweep account.

**Effect**

The City's cash accounts were materially misstated at the fund level.

**Recommendation**

It is recommended that each month when the bank reconciliations are completed, a secondary reconciliation should be performed to ensure the individual cash balances in the funds reconcile to the pooled cash balances that were reconciled to the bank statement. Any outstanding items should be reviewed for potential follow-up actions.

**Response**

The City will reconcile pooled cash balances monthly.

**2014-002 – UTILITY RECEIVABLES  
MATERIAL WEAKNESS**

**Condition**

It was observed that there were variances between the City's recorded utility receivables in the general ledger (994973.71) and the balances reported on the aging schedules. The cumulative

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variance totaled 331,655.91. Review of prior year data showed that the variances originated prior to that fiscal year.

As a result beginning fund balance and net position was restated to correct the balanced to their correct totals.

**Criteria**

Generally accepted accounting principles hold that sub-ledgers should tie to the primary ledger balances.

**Cause**

The cause of the variance was not able to be determined, but appeared to be related in part to terminated inactive customer accounts.

**Effect**

The City's utility receivable balances were potentially materially misstated.

**Recommendation**

It is recommended that the City ensure sub-ledgers balance to the amounts carried in the general ledger.

**Response**

The City will review inactive customer accounts and ensure sub-ledgers balance.

**2014-003 – CAPITAL ASSETS  
OTHER NONCOMPLIANCE**

**Condition**

The City did not conduct an annual inventory of its capital assets costing more than five thousand dollars and certification of the correctness of the inventory was not completed.

**Criteria**

Section 12-6-10, NMSA, 1978 and NMAC 2.20.1.16 require that at the end of each fiscal year, a physical inventory be conducted of movable chattels and equipment costing more than five thousand dollars. Upon completion, the inventory shall be certified by the governing authority as to its correctness.

**Cause**

City personnel were not fully aware of all the requirements related to the management of capital assets. In addition, the asset listing had been maintained in the past by the City's audit firm and the City did not have a copy of the listing on file.

**Effect**

The City is noncompliant with Section 12-6-10, NMSA, 1978 nor NMAC 2.20.1.16. There is a weakness in controls for safeguarding assets and establishing accountability for their custody and use.

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**Recommendation**

The City should ensure a documented/approved physical inventory is conducted of its capital assets each fiscal year.

**Response**

The City will conduct a physical inventory of capital assets.

**2014-004 – UNRECORDED REVENUE BONDS  
MATERIAL WEAKNESS**

**Condition**

While performing work related to long-term debt, it was discovered that the City had two revenue bond series outstanding that were not recorded in the June 30, 2013 annual financial statements. The balance of the bonds as of June 30, 2013 were \$294,000. The City was making the proper payments on the bonds, however it did not appear to have been identified as long-term debt.

**Criteria**

Proper accounting principles suggest that an entity maintain a listing of all of its debt to ensure proper payments and compliance with any debt related requirements.

**Cause**

The City did not maintain a master list of all debt outstanding.

**Effect**

The liability balances and overall financial statements could potentially be misstated due to unidentified long-term debt.

**Recommendation**

It is recommended that the City maintain a listing of all existing debt and update it as necessary for any new debt entered into or the payoff of existing debt.

**Response**

The City will follow the auditor's recommendation.

**2014-005 – RECORDING GRANT/LOAN ACTIVITY  
MATERIAL WEAKNESS**

**Condition**

While performing work related to long-term debt, it was discovered that the City entered into a grant/loan agreement totaling \$744,472 with the New Mexico Finance Authority related to the replacement of water lines. The grant was funded in large part by a federal Environmental Protection Agency grant. During the course of the year, grant draws of \$534,784.59 and loan draws of \$178,261.56 were charged against the agreement. Review of the general ledger showed only \$45,943.10 of this activity was recorded in the City's accounting system. Because

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the disbursements related to the agreement were made directly by NMFA and did not flow through the City, the other activity was not recorded.

**Criteria**

Proper accounting principles hold that all activity related to an organization be recorded in its accounting system even if the transactions do not impact the organization's "cash" balances.

**Cause**

Because the disbursements related to the agreement were made directly by NMFA and did not flow through the City, the activity was not recorded.

**Effect**

The City's reported revenues and expenses related to the project are materially understated.

**Recommendation**

It is recommended that the City record all transactions related to grants and/or loans even if they are disbursed by another entity.

**Response**

The City will record all transactions related to grants and/or loans.

**2014-006 – ENTRIES TO FUND BALANCE/NET POSITION  
MATERIAL WEAKNESS**

**Condition**

While performing work related to transfers, it was noted that the City was recording its transfers through its fund balance/net position accounts instead of through transfer accounts. The entries to fund balance accounts totaled \$4,946,734.76.

**Criteria**

Proper accounting principles hold that entries to fund balance accounts should be limited to adjustments related to prior years to for equity-type transfers. All other activity should be recorded in other accounts.

**Cause**

City personnel were told by their accounting software provider to make the entries through the fund balance accounts. Review of this process showed that was not the case and the entries could have been made to transfer lines as appropriate.

**Effect**

The City's fund balance/net position accounts do not tie to the prior year ending balances. Transfers and other activity are potentially materially misstated.

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**Recommendation**

It is recommended that the City utilize other accounts apart from the fund balance accounts to record activity. Fund balance accounts should only be used in certain special circumstances.

**Response**

The City will utilize accounts other than fund balance to record activity.

**2014-007 – MATERIAL AUDITOR ADJUSTMENTS**

**MATERIAL WEAKNESS**

**Statement of Condition**

While conducting the audit of the City, it was necessary for the auditor to make multiple material adjustments. These adjustments included:

- Adjustments for cash variances – \$2,725,231
- Adjustments for unrecorded debt – \$297,000
- Adjustments to balance funds – \$229,585
- Adjustments to misstated receivable balances – \$463,273
- Adjustments related to transfer activity - \$577,682

**Criteria**

Accounting standards hold:

- The auditor cannot be part of a client’s internal control. Becoming part of a client’s internal control impairs the auditor’s independence.
- What the auditor does is independent of the client’s internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Recording these adjustments is considered a significant process that the client needs to maintain.

**Effect**

Because these adjustments were made/identified by the auditor, and not by the City, it shows an internal control weakness in maintaining the general ledger at the modified accrual level and would potentially extend to the audit report. This significantly increases the potential for misstated financial statements.

**Cause**

The City’s personnel and internal control procedures were not effective in identifying and correcting necessary accruals to the general ledger that would have resulted in material

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FOR THE YEAR ENDED JUNE 30, 2014**

misstatement of the financial statements had they not been identified/corrected by the auditor.

**Recommendation**

We recommend that the City make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as the staff of the City initiates/makes the adjustment and understands how and why the adjustments were made. We recommend that at year end and in the months directly after year end, the City identify those accruals and deferrals necessary to take the books into the modified-accrual basis. This information should be provided to the auditors during the annual audit for further testing.

**Response**

The City identify accruals and deferrals and provide to the independent auditor for testing.

**2014-008 – FINANCIAL CLOSE AND REPORTING  
MATERIAL WEAKNESS**

**Condition**

While performing the audit, it was observed that there did not appear to be a process for ensuring the books and records at year end were reconciled with the annual financial statements. It was observed that there were unrecorded debt balances that required prior period adjustments to show the proper balance.

During the audit, prior period adjustments totaling \$11,769 in the governmental funds, \$(375,733) in the proprietary and business-type activities funds and \$(285,204) in the governmental activities funds were necessary.

In addition, the funds did not initially balance after obtaining the ending trial balance. Adjustments totaling 149,236.83 had to be recorded to balance the funds. This was due to the June 2014 cash activity not being posted to the funds timely.

**Criteria**

Financial close and reporting is a significant process and controls should be in place to ensure all necessary information is included in the financial close and that proper reconciliations are performed to ensure actual ending balances match the reported balances.

**Cause**

The City's financial reporting and close process was not effective.

**Effect**

The financial statements could potentially be misstated due to missing or erroneous that were not identified during the close process.



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**Recommendation**

It is recommended that the City reconcile the amounts in the annual financial reports to the general ledger to ensure all amounts have been properly included and reported.

**Response**

The City will reconcile year-end financial statements.

**COMPONENT UNIT FINDINGS**

**2013-001 [13-01] – COMPLETION OF AUDIT REPORT  
SIGNIFICANT DEFICIENCY- REPEATED/ MODIFIED**

**Condition**

The audit report for the year ended June 30, 2014 was not submitted to the state auditor's office by the December 1, 2013 due date. There were delays in receiving requested information related to the Housing Authority.

**Criteria**

By statute, Section 2.2.2.9 NMAC (State Auditor Rule), the deadline for submission of this report was December 1, 2014.

**Cause**

Items/documentation requested by the auditor was not provided in a timely manner. When the items were ultimately provided, there were scheduling conflicts that prevented the audit from being completed timely.

**Effect**

The Authority was not in compliance with State statute. The Authority is potentially subject to federal and state funding cuts and delays due to the untimely audit.

**Recommendation**

The Authority should work with the auditor to ensure requested information is provided timely to ensure compliance with the required audit deadlines.

**Response**

The Authority will work closely with the auditors to make sure requested items are provided in a timely manner so that audit reports are submitted by the required deadline.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2014**

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

Presentation: The accompanying financial statements are the responsibility of the City and are based on information from the City's financial records. Assistance was provided by Integrity Accounting & Consulting to the City in preparing the financial statements.

**B. EXIT CONFERENCE**

The contents of the report for the City of Lordsburg were discussed on March 12, 2015. The following individuals were in attendance.

City of Lordsburg Officials

Arthur Clark Smith, Mayor – City of Lordsburg  
Alfredo Morelos - Mayor Pro-Tem  
Glenda Greene - Councilor  
Manuel Saucedo - Councilor  
Patricia De Naranjo, Finance Officer – City of Lordsburg  
Jeannie Palacios, City Clerk – City of Lordsburg  
Sandra Kolean, Executive Director – Lordsburg Public Housing Authority

Integrity Accounting & Consulting

Erick Robinson, CPA, CFE Partner