

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016



INTRODUCTORY SECTION

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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, 2016**

City of Lordsburg

Elected Officials	Title
Arthur Clark Smith	Mayor
Alfredo Morelos	Mayor Pro-Tem
Alex DeLaGarza	Councilor
Ernest Gallegos, Sr.	Councilor
Glenda Greene	Councilor
Rodney Plowman	Councilor
Roxann Randall	Councilor

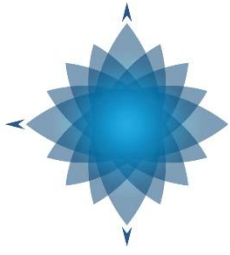
Department Heads	Title
Martha Salas	Finance Officer
Jeannie Palacios	City Clerk

City of Lordsburg Public Housing Authority

Board of Commissioners	Title
Arthur Clark Smith	Chairman
Alfredo Morelos	Vice Chairman
Alex DeLaGarza	Commissioner
Ernest Gallegos, Sr.	Commissioner
Glenda Greene	Commissioner
Rodney Plowman	Commissioner
Roxann Randall	Commissioner

Department Heads	Title
Bianca Barella	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, 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, 2016, 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, debt service 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, 2016, 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, 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, the debt service fund, and all nonmajor governmental funds of the City, as of June 30, 2016, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the major capital project fund, debt service fund, proprietary funds, 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

Accounting principles generally accepted in the United States of America require that the Schedule of proportionate share of the net pension liability and the schedule of contributions and notes to the Required Supplementary Information on pages 49-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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, and the combining and individual fund financial statements, and the budgetary comparisons. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules required by 2.2.2 NMAC are also 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.

The schedule of vendor information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, 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

December 14, 2016

**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF NET POSITION
As of June 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 880,812	517,901	1,398,713
Investments	-	252,043	252,043
Receivables			
Accounts receivable	17,405	463,663	481,068
Taxes receivable	311,825	5,289	317,114
Other receivables	70,719	826,897	897,616
Due from other governments	-	497,015	497,015
Total current assets	<u>1,280,761</u>	<u>2,562,808</u>	<u>3,843,569</u>
Non-current assets:			
Restricted cash	-	20,080	20,080
Investments	1,525,128	3,350,000	4,875,128
Capital assets	19,219,019	21,403,612	40,622,631
Less: Accumulated depreciation	<u>(7,392,547)</u>	<u>(7,219,650)</u>	<u>(14,612,197)</u>
Total non-current assets	<u>13,351,600</u>	<u>17,554,042</u>	<u>30,905,642</u>
Total assets	<u>14,632,361</u>	<u>20,116,850</u>	<u>34,749,211</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measu	113,838	32,475	146,313
Actuarial experience	61,690	-	61,690
Investment experience	291,725	89,785	381,510
Change in assumptions	4,099	2	4,101
Change in proportion	8,765	4,935	13,700
Total deferred outflows of resources	<u>480,117</u>	<u>127,197</u>	<u>607,314</u>
Total assets and deferred outflows of resources	<u>\$ 15,112,478</u>	<u>20,244,047</u>	<u>35,356,525</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 48,787	142,673	191,460
Accrued payroll liabilities	58,004	15,927	73,931
Customer deposits	-	105,372	105,372
Current portion of compensated absences	33,350	32,614	65,964
Current portion of long-term debt	94,772	99,117	193,889
Total current liabilities	<u>234,913</u>	<u>395,703</u>	<u>630,616</u>
Non-current liabilities			
Compensated absences	8,338	8,154	16,492
Net pension liability	1,388,408	406,975	1,795,383
Notes payable	629,659	1,214,984	1,844,643
Total non-current liabilities	<u>2,026,405</u>	<u>1,630,113</u>	<u>3,656,518</u>
Total liabilities	<u>2,261,318</u>	<u>2,025,816</u>	<u>4,287,134</u>
Deferred inflows of resources:			
Actuarial experience	11,198	9,015	20,213
Investment experience	295,773	91,072	386,845
Change in assumptions	40,821	161	40,982
Change in proportion	51,278	4,170	55,448
Total deferred inflows of resources	<u>399,070</u>	<u>104,418</u>	<u>503,488</u>
Net position			
Net Investment in Capital Assets	11,102,041	12,869,861	23,971,902
Unrestricted Net Position	<u>1,350,049</u>	<u>5,243,952</u>	<u>6,594,001</u>
Total net position	<u>12,452,090</u>	<u>18,113,813</u>	<u>30,565,903</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 15,112,478</u>	<u>20,244,047</u>	<u>35,356,525</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, 2016

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes In Net		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities		
Primary government:							
Governmental activities							
General government	\$ 1,112,919	36,762	568,001	-	(508,156)	-	(508,156)
Public safety	1,347,875	43,762	181,296	-	(1,122,817)	-	(1,122,817)
Public works	560,172	-	3,220	-	(556,952)	-	(556,952)
Culture and recreation	355,133	13,511	-	-	(341,622)	-	(341,622)
Health and welfare	147,275	10,035	-	-	(137,240)	-	(137,240)
Interest expense	14,537	-	-	-	(14,537)	-	(14,537)
Total governmental activities	<u>3,537,911</u>	<u>104,070</u>	<u>752,517</u>	<u>-</u>	<u>(2,681,324)</u>	<u>-</u>	<u>(2,681,324)</u>
Business-type activities:							
Utilities							
Water	914,952	611,355	647,976	-	-	344,379	344,379
Gas	575,565	473,405	-	-	-	(102,160)	(102,160)
Sewer	470,409	334,334	-	-	-	(136,075)	(136,075)
Solid waste	319,481	288,024	-	-	-	(31,457)	(31,457)
Public housing	526,832	218,668	238,804	36,502	-	(32,858)	(32,858)
Total business-type activities	<u>2,807,239</u>	<u>1,925,786</u>	<u>886,780</u>	<u>36,502</u>	<u>-</u>	<u>41,829</u>	<u>41,829</u>
Total primary government	<u>6,345,150</u>	<u>2,029,856</u>	<u>1,639,297</u>	<u>36,502</u>	<u>(2,681,324)</u>	<u>41,829</u>	<u>(2,639,495)</u>
General revenues:							
Taxes							
Property taxes levied for general purposes					\$ 89,211	-	89,211
Gross receipts taxes					1,605,181	121,677	1,726,858
Other taxes and fees					295,068	-	295,068
Licenses and permits					15,077	-	15,077
Fines, forfeitures, and penalties					193,352	-	193,352
Interest income					22,661	949	23,610
Miscellaneous income					362,606	220,850	583,456
Transfers					73,112	(73,112)	-
Total general revenue and transfers					<u>2,656,268</u>	<u>270,364</u>	<u>2,926,632</u>
Changes in net position					(25,056)	312,193	287,137
Beginning net position					12,407,109	17,778,602	30,185,711
Restatement					70,037	23,018	93,055
Beginning net position, as restated					<u>12,477,146</u>	<u>17,801,620</u>	<u>30,278,766</u>
Net position, end of year					<u>\$ 12,452,090</u>	<u>18,113,813</u>	<u>30,565,903</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, 2016**

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Cap Project Water Project Fund</u>	<u>Total Non- Major Funds</u>	<u>Total Funds</u>
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 6,893	60	873,862	880,815
Investments	801,338	-	723,790	1,525,128
Receivables				
Accounts receivable	17,405	-	-	17,405
Taxes receivable	252,299	-	59,527	311,826
Other receivables	70,719	-	-	70,719
Due from other funds	1,071	-	-	1,071
Total assets	<u>1,149,725</u>	<u>60</u>	<u>1,657,179</u>	<u>2,806,964</u>
Deferred Outflows of Resources:				
Total deferred outflows of resource	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 1,149,725</u>	<u>60</u>	<u>1,657,179</u>	<u>2,806,964</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ 29,433	-	19,354	48,787
Accrued payroll liabilities	54,609	-	3,395	58,004
Due to other fund	-	-	1,071	1,071
Total liabilities	<u>84,042</u>	<u>-</u>	<u>23,820</u>	<u>107,862</u>
Deferred Inflows of Resources:				
Total deferred inflows of resource:	-	-	-	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	60	1,566,687	1,566,747
Committed	-	-	84,839	84,839
Assigned	-	-	-	-
Unassigned	1,065,683	-	(18,167)	1,047,516
Total fund balances	<u>1,065,683</u>	<u>60</u>	<u>1,633,359</u>	<u>2,699,102</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 1,149,725</u>	<u>60</u>	<u>1,657,179</u>	<u>2,806,964</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, 2016**

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

Total fund balance - Governmental funds	\$	2,699,102
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		11,826,472
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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.		-
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:

Deferred outflows of resources related to:		
Employer contribution subsequent to the measurement date		113,838
Actuarial experience		61,690
Investment experience		291,725
Change in assumptions		4,099
Change in proportion		8,765
Deferred inflows of resources related to:		
Actuarial experience		(11,198)
Investment experience		(295,773)
Change in assumptions		(40,821)
Change in proportion		(51,278)

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:

Net pension liability	\$	(1,388,408)	
Current compensated absences		(33,350)	
Noncurrent compensated absences		(8,338)	
Current notes payable		(94,772)	
Noncurrent notes payable	\$	<u>(629,659)</u>	(2,154,527)

Rounding		<u>(4)</u>
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Net position for governmental activities	\$	<u><u>12,452,090</u></u>
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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, 2016**

	<u>Major Funds</u>			<u>Total Non-Major Funds</u>	<u>Total Funds</u>
	<u>General Fund</u>	<u>Cap Project Water Project Fund</u>			
Revenues:					
Taxes					
Property	\$ 97,584	-	-	97,584	97,584
Gross receipts/State shared	1,374,285	-	230,895	1,605,180	1,605,180
Other	73,861	-	221,207	295,068	295,068
Licenses and permits	7,759	-	7,318	15,077	15,077
Charges for services	36,763	-	67,308	104,071	104,071
Fines and forfeitures	193,352	-	-	193,352	193,352
Intergovernmental revenue					
Federal grants	456,067	-	-	456,067	456,067
State grants	111,934	-	184,516	296,450	296,450
Interest income	21,924	-	738	22,662	22,662
Miscellaneous income	362,001	-	606	362,607	362,607
Total revenues	<u>2,735,530</u>	<u>-</u>	<u>712,588</u>	<u>3,448,118</u>	<u>3,448,118</u>
Expenditures:					
Current:					
General government	1,013,776	-	-	1,013,776	1,013,776
Public safety	1,166,847	-	181,028	1,347,875	1,347,875
Public works	393,221	-	166,951	560,172	560,172
Culture and recreation	91,861	-	263,272	355,133	355,133
Health and welfare	57,120	-	90,155	147,275	147,275
Capital outlay	402,993	-	28,167	431,160	431,160
Debt service					
Principal	-	-	90,621	90,621	90,621
Interest	-	-	14,537	14,537	14,537
Total expenditures	<u>3,125,818</u>	<u>-</u>	<u>834,731</u>	<u>3,960,549</u>	<u>3,960,549</u>
Excess (deficiency) of revenues over (under) expenditures	(390,288)	-	(122,143)	(512,431)	(512,431)
Other financing sources (uses):					
Transfers in	81,112	-	294,532	375,644	375,644
Transfers out	(106,634)	-	(195,898)	(302,532)	(302,532)
Total other financing sources (uses):	<u>(25,522)</u>	<u>-</u>	<u>98,634</u>	<u>73,112</u>	<u>73,112</u>
Net change in fund balances	(415,810)	-	(23,509)	(439,319)	(439,319)
Beginning fund balance	1,481,493	60	1,586,831	3,068,384	3,068,384
Restatement	-	-	70,037	70,037	70,037
Beginning fund balance, as restated	<u>1,481,493</u>	<u>60</u>	<u>1,656,868</u>	<u>3,138,421</u>	<u>3,138,421</u>
Ending fund balance	<u>\$ 1,065,683</u>	<u>60</u>	<u>1,633,359</u>	<u>2,699,102</u>	<u>2,699,102</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, 2016**

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

Total net change in fund balances-governmental funds	\$ (439,319)
<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	838,389
<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>	
	(576,170)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in deferred inflows of resources related to property taxes receivable	(8,373)
<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	3,317
Principal payments on long-term debt	90,621
<p>Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds</p>	
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>	
Employer contributions subsequent to the measurement date	8,765
Pension expense	57,720
Rounding	<u>(6)</u>
Change in net position of governmental activities	<u>\$ (25,056)</u>

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, 2016**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes				
Property	\$ 98,786	98,786	100,716	1,930
Gross receipts	1,266,798	1,266,798	1,342,832	76,034
Other	133,332	133,332	73,031	(60,301)
Licenses and permits	8,866	8,866	7,759	(1,107)
Charges for services	12,000	12,000	36,763	24,763
Fines and forfeitures	189,187	189,187	193,352	4,165
Intergovernmental revenue				
Federal grants	263,649	263,649	418,021	154,372
State grants	1,049,450	1,049,450	581,619	(467,831)
Interest income	21,000	21,000	21,924	924
Miscellaneous income	566,684	566,684	368,519	(198,165)
Total revenues	3,609,752	3,609,752	3,144,536	(465,216)
Expenditures:				
Current:				
General government	1,038,284	1,038,284	964,175	74,109
Public safety	1,151,515	1,151,515	1,160,509	(8,994)
Public works	469,791	469,791	383,772	86,019
Culture and recreation	93,697	93,697	89,482	4,215
Health and welfare	68,438	68,438	58,094	10,344
Capital outlay	1,011,016	1,011,016	402,993	608,023
Total expenditures	3,832,741	3,832,741	3,059,025	773,716
Excess (deficiency) of revenues over (under) expenditures	(222,989)	(222,989)	85,511	(1,238,932)
Other financing sources (uses):				
Transfers in	81,112	81,112	81,112	-
Transfers out	(197,234)	(197,234)	(106,634)	90,600
Total other financing sources (uses):	(116,122)	(116,122)	(25,522)	90,600
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(339,111)	(339,111)	59,989	(1,148,332)
Budgeted cash carryover	339,111	339,111	-	
Net change in fund balance	\$ -	-	59,989	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 59,989	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			(409,004)	
Adjustments to expenditures for accrued wages and expenditures			(66,795)	
Net change in fund balance (GAAP)			\$ (415,810)	

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2016**

	Joint Utility Fund	Housing Authority	Total
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 504,320	13,581	517,901
Investments	-	252,043	252,043
Receivables			
Accounts receivable, net	459,740	3,923	463,663
Taxes receivable	5,289	-	5,289
Other receivables	824,226	2,671	826,897
Due from other governments	14,734	482,281	497,015
Total current assets	1,808,309	754,499	2,562,808
Non-current assets:			
Restricted cash:			
Cash and cash equivalents - tenant security deposits	-	20,080	20,080
Long-term Investments	3,350,000	-	3,350,000
Capital assets, net	12,323,949	1,860,013	14,183,962
Total non-current assets	15,673,949	1,880,093	17,554,042
Total assets	17,482,258	2,634,592	20,116,850
Deferred Outflows of Resources:			
Employer contributions subsequent to the measurement date	23,598	8,877	32,475
Investment experience	61,102	28,683	89,785
Change in assumptions	-	2	2
Change in proportion	4,935	-	4,935
Total deferred outflows of resources	89,635	37,562	127,197
Total assests and deferred outflows of resources	\$ 17,571,893	2,672,154	20,244,047
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 9,854	132,819	142,673
Accrued payroll liabilities	15,927	-	15,927
Customer deposits	91,072	14,300	105,372
Current portion of compensated absences	25,648	6,966	32,614
Current portion of long-term debt	99,117	-	99,117
Total current liabilities	241,618	154,085	395,703
Non-current liabilities			
Compensated absences	6,412	1,742	8,154
Total pension liability	284,625	122,350	406,975
Notes payable	1,214,984	-	1,214,984
Total non-current liabilities	1,506,021	124,092	1,630,113
Total liabilities	1,747,639	278,177	2,025,816
Deferred inflows of resources:			
Actuarial experience	6,305	2,710	9,015
Investment experience	62,002	29,070	91,072
Change in assumptions	111	50	161
Change in proportion	-	4,170	4,170
Total deferred inflows of resources	68,418	36,000	104,418
Net position			
Net Investment in Capital Assets	14,359,848	1,880,093	16,239,941
Unrestricted Net Position	1,395,988	477,884	1,873,872
Total net position	15,755,836	2,357,977	18,113,813
Total liabilities, deferred inflows of resources and net position:	\$ 17,571,893	2,672,154	20,244,047

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
For the Year Ended June 30, 2016**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,707,118	218,668	1,925,786
Federal grants - operating	-	238,804	238,804
Total operating revenues	<u>1,707,118</u>	<u>457,472</u>	<u>2,164,590</u>
Operating expenses:			
Personnel services	407,756	190,923	598,679
Operating expenses	1,430,508	249,217	1,679,725
Depreciation and amortization	<u>434,525</u>	<u>86,509</u>	<u>521,034</u>
Total operating expenses	2,272,789	526,649	2,799,438
Operating income (loss)	(565,671)	(69,177)	(634,848)
Non-operating revenues (expenses):			
Federal grants - capital	-	36,502	36,502
State grants - capital	647,976	-	647,976
Gross receipts and other taxes	121,677	-	121,677
Miscellaneous	218,988	1,678	220,666
Interest income	930	19	949
Interest expense	<u>(7,617)</u>	<u>-</u>	<u>(7,617)</u>
Total non-operating revenues (expenses)	<u>981,954</u>	<u>38,199</u>	<u>1,020,153</u>
Income (loss) before transfers	416,283	(30,978)	385,305
Other financing sources/(uses)			
Transfers in	263,693	-	263,693
Transfers out	<u>(336,805)</u>	<u>-</u>	<u>(336,805)</u>
Total other financing sources/(uses)	(73,112)	-	(73,112)
Change in net position	343,171	(30,978)	312,193
Net position, beginning of year	15,389,647	2,388,955	17,778,602
Restatement	23,018	-	23,018
Beginning net position, as restated	<u>15,412,665</u>	<u>2,388,955</u>	<u>17,801,620</u>
Net position, end of year	<u>\$ 15,755,836</u>	<u>2,357,977</u>	<u>18,113,813</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, 2016**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 778,012	218,668	996,680
Receipts from subsidy grants	-	4,011	4,011
Payments to suppliers and employees	(1,426,192)	(195,507)	(1,621,699)
Payments to employees	<u>(409,885)</u>	<u>(195,033)</u>	<u>(604,918)</u>
Net cash provided (used) for operating activities	(1,058,065)	(167,861)	(1,225,926)
Cash flows from noncapital financing activities:			
Transfers from other funds	263,693	-	263,693
Transfers to other funds	(336,805)	-	(336,805)
Tax receipts	121,677	-	121,677
Miscellaneous income	<u>218,988</u>	<u>1,678</u>	<u>220,666</u>
Net cash provided (used) for noncapital financing activities	267,553	1,678	269,231
Cash flows from capital and related financing activities:			
Intergovernmental receipts-capital	647,976	36,502	684,478
Acquisition and construction of capital assets	(754,620)	-	(754,620)
Principal paid on long-term debt	(48,277)	-	(48,277)
Interest paid on long-term debt	(7,617)	-	(7,617)
Long-term debt proceeds.	<u>957,993</u>	<u>-</u>	<u>957,993</u>
Net cash provided (used) for capital and related financing activities.	795,455	36,502	831,957
Cash flows from investing activities:			
Interest and dividends	<u>930</u>	<u>18</u>	<u>948</u>
Net cash provided (used) for investing activities.	930	18	948
Net increase (decrease) in cash and cash equivalents	5,873	(129,663)	(123,790)
Cash and cash equivalents – beginning of year	<u>498,447</u>	<u>163,324</u>	<u>661,771</u>
Cash and cash equivalents – end of year	\$ <u><u>504,320</u></u>	<u><u>33,661</u></u>	<u><u>537,981</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (565,671)	(69,177)	(634,848)
Adjustments			
Depreciation and amortization	434,525	86,509	521,034
Pension expense	(17,110)	(7,615)	(24,725)
Bad debt expense	20,425	-	20,425
Changes in assets and liabilities:			
Receivables	(929,106)	(234,793)	(1,163,899)
Accounts payable	(16,109)	53,510	37,401
Accrued expenses and other liabilities	5,865	-	5,865
Deposits	-	200	200
Compensated absences	<u>9,116</u>	<u>3,505</u>	<u>12,621</u>
Net cash provided by operating activities	\$ <u><u>(1,058,065)</u></u>	<u><u>(167,861)</u></u>	<u><u>(1,225,926)</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, 2016**

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Based upon the application of these criteria, the City does not have any component units. Additionally, the City is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2016.

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*

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.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

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.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 reports the following proprietary funds, all of which are considered major funds.

Joint Utility Fund – To account for the City’s utility operations which include water, wastewater, solid waste, and gas services.

Lordsburg Housing Authority – Provides financial assistance to low income families for low rent housing in city owned facilities.

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 and tenant rent payments, 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.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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:

<u>Asset Type</u>	<u>Years</u>
Land	Perpetuity
Construction in progress	Perpetuity
Buildings	15 - 50
Other improvements	15 - 40
Infrastructure	10 - 80
Utility system	5 - 80
Machinery and equipment	3 - 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, 2016.

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.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 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 of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has five types of items that qualify for reporting in this category. Accordingly, the items, employer contributions subsequent to measurement date, net difference between expected and actual earnings on pension plan investments, net difference between expected and actual experience, change in assumptions and change in proportion, are reported on the Statement of Net Position. These

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

amounts are deferred and recognized as an outflow of resources in the period the amounts become available. The City has recorded \$146,314 related to contributions subsequent to the measurement date, \$381,510 related to the net difference between expected and actual earnings on pension plan investments, \$61,690 related to the net difference between expected and actual experience, \$4,101 related to changes in assumptions and \$13,700 related to changes in proportion.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an 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. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized.

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 liability for deferred inflows of resources.

The City has six types of items which qualify for reporting in this category. The items, unavailable revenue – property taxes and unavailable revenue - grants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has recorded \$- related to property taxes and \$- related to grants that are considered “unavailable”.

The items, net difference between expected and actual earnings on pension plan investments, change in assumptions, actuarial experience, and change in proportion, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has recorded \$91,072 related to the net difference between expected and actual earnings on pension plan investments, \$9,015 related to the net difference between expected and actual experience, \$161 related to changes in assumptions and \$4,170 related to changes in proportion.

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.

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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 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 83 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

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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 has the authority to revisit or alter this designation.

D. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. 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.

F. 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 2013. For the year ended June 30, 2016, no interest or penalties were recorded or included in the financial statements.

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G. 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.

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

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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, 2016 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.

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 84 of this report.

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The following is a summary of the City's cash and cash equivalents balances by fund type as of June 30, 2016:

Fund Type	Amount
Primary government	
Governmental funds	\$ 880,812
Business-type activities	537,981
Total cash and cash equivalents - primary government	\$ 1,418,793

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 85 of this report.

As of June 30, 2016, the City's bank balances (inclusive of investments listed in Note 4) of \$6,478,097 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.	3,639,589
Uninsured and uncollateralized	2,588,508
Total uninsured deposits	\$ 6,478,097

NOTE 4 – INVESTMENTS

The City's investments consisted of the following as of June 30, 2016:

Investment Type	Cost Basis	Market Value	Credit Risk- Rating	Maturity
Overnight sweep accounts	\$ 404,167	404,167	N/A	N/A
Certificates of deposit	5,123,185	5,123,185	N/A	6 - 36 months
	\$ 5,527,352	5,527,352		

For reporting purposes, the City's sweep account is considered cash equivalents due to its highly-liquid nature. All of the City's certificates of deposit have maturities of greater than 90 days and

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are not considered cash equivalents. Those certificates with maturities greater than one year are considered long-term investments and are reported as such on the Statement of Net Position. All of the City's investments accounts are held by the same bank as the City's other cash balances and are covered by the collateralization maintained for those balances. The certificates of deposit are valued at cost which approximates fair market value due to the relatively short terms and low rates of return on the certificates.

NOTE 5 – RECEIVABLES

Receivables as of June 30, 2016 are as follows:

Governmental Activities	General Fund	Water Proj Fund	Nonmajor Funds	Total Receivables
Accounts	\$ 175,834	-	-	175,834
Taxes:				
Property	2,810	-	-	2,810
State	233,147	-	39,465	272,612
Other	16,342	-	20,062	36,404
Other intergovernmental	<u>70,719</u>	<u>-</u>	<u>-</u>	<u>70,719</u>
Subtotal	498,852	-	59,527	558,379
Less: Allowance for uncollectibles	<u>(158,429)</u>	<u>-</u>	<u>-</u>	<u>(158,429)</u>
Net Receivables	<u>\$ 340,423</u>	<u>-</u>	<u>59,527</u>	<u>399,950</u>
Business-type Activities	Joint Utility Fund	Housing Authority	Total Receivables	
Accounts	\$ 681,220	3,923	685,143	
Taxes:				
Property	-	-	-	
State	5,289	-	5,289	
Other	-	-	-	
Other intergovernmental	14,734	482,281	497,015	
Interest	-	-	-	
Other	<u>824,226</u>	<u>2,671</u>	<u>826,897</u>	
Subtotal	1,525,469	488,875	2,014,344	
Less: Allowance for uncollectibles	<u>(221,480)</u>	<u>-</u>	<u>(221,480)</u>	
Net Receivables	<u>\$ 1,303,989</u>	<u>488,875</u>	<u>1,792,864</u>	

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 \$- that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

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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.

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 of year end are carried in the deferred inflow of resources section of the balance sheet as “unavailable revenue” on the fund basis financial statements.

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NOTE 7 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land and construction in progress are not subject to depreciation.

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Balance 06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/16</u>
Non-depreciable capital assets:				
Land	\$ 503,769	20,000	-	523,769
Construction in progress	<u>360,158</u>	<u>54,594</u>	-	<u>414,752</u>
Total non-depreciable capital assets	<u>863,927</u>	<u>74,594</u>	-	<u>938,521</u>
Capital assets being depreciated:				
Buildings	4,956,071	19,524	-	4,975,595
Improvements	3,983,538	244,954	-	4,228,492
Infrastructure	5,296,542	257,527	-	5,554,069
Machinery and equipment	<u>3,280,551</u>	<u>241,789</u>	-	<u>3,522,340</u>
Total capital assets being depreciated	17,516,702	763,794	-	18,280,496
Less accumulated depreciation for:				
Buildings	(1,414,643)	(101,880)	-	(1,516,523)
Improvements	(2,114,891)	(123,196)	-	(2,238,087)
Infrastructure	(823,898)	(123,128)	-	(947,026)
Machinery and equipment	<u>(2,462,944)</u>	<u>(227,965)</u>	-	<u>(2,690,909)</u>
Total accumulated depreciation	<u>(6,816,376)</u>	<u>(576,169)</u>	-	<u>(7,392,545)</u>
Total capital assets being depreciated	<u>10,700,326</u>	<u>187,625</u>	-	<u>10,887,951</u>
Total capital assets, net of depreciation	\$ <u>11,564,253</u>	<u>262,219</u>	-	<u>11,826,472</u>
BUSINESS-TYPE ACTIVITIES				
Non-depreciable capital assets:				
Land	187,715	-	-	187,715
Construction in progress	\$ -	<u>729,665</u>	-	<u>729,665</u>
Total non-depreciable capital assets	<u>187,715</u>	<u>729,665</u>	-	<u>917,380</u>
Capital assets being depreciated:				
Buildings	2,477,238	-	-	2,477,238
Improvements	6,074,448	-	-	6,074,448
Utility system	10,793,672	-	-	10,793,672
Machinery and equipment	<u>1,115,918</u>	<u>24,956</u>	-	<u>1,140,874</u>
Total capital assets being depreciated	20,461,276	24,956	-	20,486,232
Less accumulated depreciation for:				
Buildings	(2,459,769)	(530)	-	(2,460,299)
Improvements	(1,734,578)	(263,798)	-	(1,998,376)
Utility system	(1,473,685)	(230,146)	-	(1,703,831)
Machinery and equipment	<u>(1,030,583)</u>	<u>(26,561)</u>	-	<u>(1,057,144)</u>
Total accumulated depreciation	<u>(6,698,615)</u>	<u>(521,035)</u>	-	<u>(7,219,650)</u>
Total capital assets being depreciated	<u>13,762,661</u>	<u>(496,079)</u>	-	<u>13,266,582</u>
Total capital assets, net of depreciation	\$ <u>13,950,376</u>	<u>233,586</u>	-	<u>14,183,962</u>

Depreciation expense for the year ended June 30, 2016 was charged to the following functions and funds:

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Governmental activities:	
General government	\$ 124,058
Public safety	150,449
Public works	248,750
Culture and recreation	<u>52,912</u>
Total governmental activities	\$ 576,169
Business type activities	
Joint utility fund	\$ 434,526
Housing authority	<u>86,509</u>
Total governmental activities	<u>\$ 521,035</u>

NOTE 8 – LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance				Balance	Amount
	June 30, 2015	Increases	Decreases	Adj	June 30, 2016	due within
						one year
Governmental funds debt						
Compensated absences	\$ 45,005	46,391	(49,708)	-	41,688	33,350
Revenues bonds payable	291,000	-	(1,000)	-	290,000	5,000
Notes payable	<u>524,052</u>	<u>-</u>	<u>(89,621)</u>	<u>-</u>	<u>434,431</u>	<u>89,772</u>
Total governmental activities	<u>\$ 860,057</u>	<u>46,391</u>	<u>(140,329)</u>	<u>-</u>	<u>766,119</u>	<u>128,122</u>
Business-type funds debt						
Compensated absences	\$ 28,149	34,641	(22,022)	-	40,768	32,614
Notes payable	<u>427,402</u>	<u>957,993</u>	<u>(48,276)</u>	<u>(23,018)</u>	<u>1,314,101</u>	<u>99,117</u>
Total business-type activities	<u>\$ 455,551</u>	<u>992,634</u>	<u>(70,298)</u>	<u>(23,018)</u>	<u>1,354,869</u>	<u>131,731</u>

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 2016.

During the year ended June 30, 2016, a note payable for the New Mexico Finance Authority with an outstanding balance of \$23,018 related to the City's water system was removed from the City's reportable debt. NMFA notified the City that based upon review of its records, the debt had not actually been funded. As a result, all principal and interest payments made by the City were returned and the debt was removed from the City's records and appears as an adjustment to the Joint Utility Fund's beginning net position.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2016 are as follows.

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Governmental activities

Revenue Bonds

Bonds payable for governmental funds at June 30, 2016 are comprised of the following:

	<u>Series 2011A</u>	<u>Series 2011B</u>
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

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, 2016, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017 \$	1000	3,590	4,590
2018	1000	3,560	4,560
2019	1000	3,520	4,520
2020	1000	3,480	4,480
2021	2000	3,450	5,450
2022-2026	10000	16,160	26,160
2027-2031	10000	14,340	24,340
2032-2036	12000	12,490	24,490
2037-2041	15000	10,000	25,000
2042-2046	18000	7,150	25,150
2047-2051	28000	3,640	31,640
Total \$	<u>99,000</u>	<u>81,380</u>	<u>180,380</u>

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.

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The annual requirements to amortize the 2011B Bond Issue outstanding as of June 30, 2016, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,000	13,280	17,280
2018	2,000	6,540	8,540
2019	2,000	6,460	8,460
2020	2,000	6,400	8,400
2021	2,000	6,320	8,320
2022-2026	20,000	29,800	49,800
2027-2031	20,000	26,300	46,300
2032-2036	21,000	22,800	43,800
2037-2041	30,000	18,330	48,330
2042-2046	32,000	13,050	45,050
2047-2051	56,000	6,650	62,650
Total	<u>\$ 191,000</u>	<u>155,930</u>	<u>346,930</u>

Notes payable

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 \$308,012 at June 30, 2016, and equal 12.7% of future state shared gross receipts tax at their current rate. During the year ended June 30, 2016, the City collected \$605,507 in pledged revenues, and retired \$78,212 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>
2017	\$ 70,000	6,917	76,917
2018	75,000	5,461	80,461
2019	75,000	3,751	78,751
2020	70,000	1,883	71,883
Total	<u>\$ 290,000</u>	<u>18,012</u>	<u>308,012</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 \$156,414 at June 30,

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2016, and equal 14.3% of future fire protection grant funds at their current rate. During the year ended June 30, 2016, the City collected \$155,896 in pledged revenues, and retired \$22,345 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 19,772	2,573	22,345
2018	19,958	2,387	22,345
2019	20,201	2,144	22,345
2020	20,513	1,832	22,345
2021	20,880	1,465	22,345
2022-2026	<u>43,107</u>	<u>1,582</u>	<u>44,689</u>
Total	<u>\$ 144,431</u>	<u>11,983</u>	<u>156,414</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 89,772	9,490	99,262
2018	94,958	7,848	102,806
2019	95,201	5,895	101,096
2020	90,513	3,715	94,228
2021	20,880	1,465	22,345
2022-2026	<u>43,107</u>	<u>1,582</u>	<u>44,689</u>
Total	<u>\$ 434,431</u>	<u>29,995</u>	<u>464,426</u>

Business-type activities

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 \$57,556 at June 30, 2016, and equal 00.8% of future water utility revenues at their current rate. During the year ended June 30, 2016, the City collected \$611,355 in pledged revenues, and retired \$-0- in principal and interest on the aforementioned note.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,583	272	8,855
2018	4,307	120	4,427
2019	4,318	109	4,427
2020	4,329	98	4,427
2021	4,340	88	4,428
2022-2026	21,863	275	22,138
2027-2031	8,821	33	8,854
Total	<u>\$ 56,561</u>	<u>995</u>	<u>57,556</u>

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 \$176,327 at June 30, 2016, and equal 01.5% of future water utility revenues at their current rate. During the year ended June 30, 2016, the City collected \$611,355 in pledged revenues, and retired \$9,751 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>
2017	\$ 9,110	465	9,575
2018	9,132	443	9,575
2019	9,155	420	9,575
2020	9,178	397	9,575
2021	9,201	374	9,575
2022-2026	46,351	1,525	47,876
2027-2031	46,934	944	47,878
2032-2036	32,342	356	32,698
Total	<u>\$ 171,403</u>	<u>4,924</u>	<u>176,327</u>

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 \$69,958 at June 30, 2016, and equal 10.4% of future estimated net revenues at their current rate. During the year ended June 30, 2016, the City collected \$334,334 in pledged revenues, and retired \$34,979 in principal and interest on the aforementioned note.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 32,971	2,008	34,979
2018	<u>33,960</u>	<u>1,019</u>	<u>34,979</u>
Total	<u>\$ 66,931</u>	<u>3,027</u>	<u>69,958</u>

NMFA – Waste Water System Improvements

On September 5, 2014, the City borrowed \$72,555 from the New Mexico Finance Authority. The note matures on June 1, 2034, and carries a 0% interest rate. The proceeds of the loan are to be used for improvements to the City’s wastewater system. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$66,163 at June 30, 2016, and equal 0.1% of future water utility revenues at their current rate. During the year ended June 30, 2016, the City collected \$334,334 in pledged revenues, and retired \$3,676 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>
2017	\$ 3,676	-	3,676
2018	3,676	-	3,676
2019	3,676	-	3,676
2020	3,676	-	3,676
2021	3,676	-	3,676
2022-2026	18,380	-	18,380
2027-2031	18,378	-	18,378
2032-2036	<u>11,025</u>	<u>-</u>	<u>11,025</u>
Total	<u>\$ 66,163</u>	<u>-</u>	<u>66,163</u>

NMFA – Waste Water System Improvements

On July 15, 2014, the City borrowed \$39,000 from the New Mexico Finance Authority. The note matures on June 1, 2034, and carries a 0% interest rate. The proceeds of the loan were used for improvements to the City’s wastewater system. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$35,100 at June 30, 2016, and equal 0.6% of future water utility revenues at their current rate. During the year ended June 30, 2016, the City collected \$334,334 in pledged revenues, and retired \$1,950 in principal and interest on the aforementioned note.

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	1,950	-	1,950
2018		1,950	-	1,950
2019		1,950	-	1,950
2020		1,950	-	1,950
2021		1,950	-	1,950
2022-2026		9,750	-	9,750
2027-2031		9,750	-	9,750
2032-2036		<u>5,850</u>	<u>-</u>	<u>5,850</u>
Total	\$	<u>35,100</u>	<u>-</u>	<u>35,100</u>

NMFA – Waste Water System Improvements

On January 15, 2016, the City borrowed \$68,779 from the New Mexico Finance Authority related to the Colonias Infrastructure program. The note matures on June 1, 2035, and carries a 0% interest rate. The proceeds of the loan were used for improvements to the City’s wastewater system. The payments of principal and interest are paid from pledged net revenues of the City’s waste water utility system. The revenues pledged totaled \$67,438 at June 30, 2016, and equal 01.1% of future waste water utility revenues at their current rate. During the year ended June 30, 2016, the City collected \$334,334 in pledged revenues, and retired \$1,341 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>
2017	\$	3,550	-	3,550
2018		3,550	-	3,550
2019		3,550	-	3,550
2020		3,550	-	3,550
2021		3,550	-	3,550
2022-2026		17,746	-	17,746
2027-2031		17,745	-	17,745
2032-2036		<u>14,197</u>	<u>-</u>	<u>14,197</u>
Total	\$	<u>67,438</u>	<u>-</u>	<u>67,438</u>

NMFA – Relocation of Water Lines

On April 22, 2016, the City borrowed \$850,504 from the New Mexico Finance Authority. The note matures on June 1, 2034, and carries a 0% interest rate. The proceeds of the loan were used for relocation of portions of the City’s water lines that are on railway right-of-ways. 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, 2016, and equal 06.9% of future water utility revenues at their current rate. During the year ended June 30, 2016, the City collected \$611,355 in pledged revenues, and retired \$-0- in principal and interest on the aforementioned note.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 39,277	-	39,277
2018	39,613	-	39,613
2019	39,903	-	39,903
2020	40,258	-	40,258
2021	40,668	-	40,668
2022-2026	211,961	-	211,961
2027-2031	218,864	-	218,864
2032-2036	<u>219,960</u>	-	<u>219,960</u>
Total	<u>\$ 850,504</u>	<u>-</u>	<u>850,504</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 99,117	2,745	101,862
2018	96,188	1,582	97,770
2019	62,552	529	63,081
2020	62,941	495	63,436
2021	63,385	462	63,847
2022-2026	326,051	1,800	327,851
2027-2031	320,492	977	321,469
2032-2036	<u>283,374</u>	<u>356</u>	<u>283,730</u>
Total	<u>\$ 1,314,100</u>	<u>8,946</u>	<u>1,323,046</u>

NOTE 9 – SEGMENT INFORMATION

The City issues separate revenue bonds and notes payable to finance its water and wastewater departments. The two departments are accounted for in a single fund, but investors in those bonds and notes rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each department is presented below. The Water Department operates the City's water supply system. The Wastewater Department operates the City's wastewater treatment plant, pumping stations, and collection systems.

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	Water Dept	Wastewater Dept
CONDENSED STATEMENT OF NET POSITION		
Assets:		
Current assets	\$ 2,578,736	225,285
Capital assets	8,739,479	2,667,930
Total assets	11,318,215	2,893,215
Deferred outflows of resources	24,426	19,053
Liabilities		
Current liabilities	6,015	8,375
Noncurrent liabilities	1,226,326	172,120
Total liabilities	1,232,341	180,495
Deferred inflows of resources	18,644	14,543
Net position		
Net investment in capital assets	7,594,848	2,565,392
Unrestricted	2,496,808	151,838
Total net position	\$ 10,091,656	2,717,230

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues (pledged against debt)	\$ 624,239	509,455
Depreciation expense	(304,497)	(35,550)
Other operating expenses	(598,401)	(433,483)
Operating income	(278,659)	40,422
Nonoperating revenues (expenses):		
Capital grants	647,976	-
Taxes	61,818	-
Investment income	896	-
Interest expense	(4,906)	(1,376)
Transfers in	39,000	110,000
Transfers out	(126,093)	(71,212)
Change in net position	340,032	77,834
Beginning net position	9,751,624	2,616,378
Restatement of beginning net position	-	23,018
Ending net position	\$ 10,091,656	2,717,230

CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ (801,412)	(207,439)
Noncapital financing activities	5,611	213,909
Capital and related financing activities	747,715	91,854
Investing activities	896	-
Net increase (decrease)	(47,190)	98,324
Beginning cash and cash equivalents	47,190	-
Ending cash and cash equivalents	\$ -	98,324

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NOTE 10 – 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, 2016 was as follows:

	Transfers In			
	<u>General</u>	<u>Non-Major Govern- mental</u>	<u>Joint Utility</u>	<u>Total</u>
General	\$ -	106,634	-	106,634
Non-Major Governmental	8,000	286,000	-	294,000
Joint Utility Fund	<u>73,112</u>	<u>-</u>	<u>263,693</u>	<u>336,805</u>
Total	<u>\$ 81,112</u>	<u>392,634</u>	<u>263,693</u>	<u>737,439</u>

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 measures could be obtained. All interfund balances are expected to be repaid within one year. Interfund balances as of June 30, 2016, are as follows:

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

NOTE 11 – 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, 2016 totaled \$206,431.

NOTE 12 – PERA PENSION PLAN

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division.

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Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the City of Lordsburg are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to the City are: Municipal General and Municipal Police. Statutorily required contributions to the pension plan from the City were \$(45,825) and no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to

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June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2016, the City reported a liability of \$790,180 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 0.0775 percent, which changed from its proportion of 0.0752 percent as of June 30, 2014.

For the year ended June 30, 2016, the City recognized PERA Fund Division Municipal General pension expense of \$37,719. At June 30, 2016, the City reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	17,503
Changes of assumptions	-	308
Net difference between projected and actual earnings on pension plan investments	169,632	172,132
Changes in proportion and differences between City contributions and proportionate share of contributions	13,700	-
City contributions subsequent to the measurement date	<u>65,914</u>	<u>-</u>
	<u>\$ 249,246</u>	<u>189,943</u>

\$65,914 reported as deferred outflows of resources related to pensions resulting from City of Lordsburg contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (16,688)
2018	(16,688)
2019	(16,688)
2020	43,453
2021	-
Thereafter	\$ -

For PERA Fund Division Municipal General, at June 30, 2016, the City's Housing Authority reported a liability of \$122,350 for its proportionate share of the net pension liability. At June 30,

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2015, the City's Housing Authority proportion was 0.0120 percent, which changed from its proportion of 0.0127 percent as of June 30, 2014.

For the year ended June 30, 2016, the City Housing Authority recognized PERA Fund Division Municipal General pension expense of \$7,615. At June 30, 2016, the City Housing Authority reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	2,710
Changes of assumptions	2	50
Net difference between projected and actual earnings on pension plan investments	28,683	29,070
Changes in proportion and differences between City contributions and proportionate share of contributions	-	4,170
City contributions subsequent to the measurement date	8,877	
	\$ 37,562	36,000

\$8,877 reported as deferred outflows of resources related to pensions resulting from City Housing Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(4,532)
2018		(4,532)
2019		(4,532)
2020		6,281
2021		-
Thereafter	\$	-

For PERA Fund Division Municipal Police, at June 30, 2016, the City reported a liability of \$608,764 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 0.1836 percent, which changed from its proportion of 0.2042 percent as of June 30, 2014.

For the year ended June 30, 2016, the City recognized PERA Fund Division Municipal Police pension expense of (\$186,609). At June 30, 2016, the City reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 61,690	-
Changes of assumptions	4,099	40,624
Net difference between projected and actual earnings on pension plan investments	183,195	185,644
Changes in proportion and differences between City contributions and proportionate share of contributions	-	51,278
City contributions subsequent to the measurement date	<u>71,523</u>	<u>-</u>
	<u>\$ 320,507</u>	<u>277,546</u>

\$71,523 reported as deferred outflows of resources related to pensions resulting from City of Lordsburg contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (23,393)
2018	(23,393)
2019	(23,393)
2020	41,617
2021	-
Thereafter	\$ -

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the evaluation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected

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returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City's net pension liability in each PERA Fund Division that City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division - Municipal General	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 1,345,362	790,180	328,583
PERA Fund Division - Municipal General	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City Housing Authority proportionate share of the net pension liability	\$ 208,314	122,350	50,877

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PERA Fund Division - Municipal Police	1%	Current	1%
	Decrease	Discount	Increase
	<u>(6.75%)</u>	<u>Rate (7.75%)</u>	<u>(8.75%)</u>
City's proportionate share of the net pension liability	\$ 1,457,976	882,852	411,055

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

NOTE 13 – 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.

NOTE 14 – 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:

<u>Fiscal Year</u>	<u>Amount</u>
<u>Ending June 30,</u>	
2017	\$ 4,983
2018	3,894
2019	2,805
2020	2,337
2021	-
Total	<u>\$ 14,019</u>

Rental payments charged to current operations for the year ended June 30, 2016 totaled \$4,277.

NOTE 15 – FUND DEFICITS AND NON-COMPLIANCE

Deficit Fund Balances

The following non-major funds incurred a deficit fund balance at June 30, 2016:

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
Road Projects Fund	Capital projects fund	(18,167)

Legal Compliance with Budget

The City did not have any funds that exceeded budget at the fund level as of June 30, 2016.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 16 – 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, 2016, 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.

NOTE 17 – COMMITMENTS

Commitments for engineering and construction projects relating to construction or major repairs in progress aggregated approximately \$3,295,460 as of June 30, 2016. The total amounts spent as of June 30, 2016 on the projects was \$1,220,106. 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 18 – RESTATEMENTS OF BEGINNING FUND BALANCES/NET POSITION

During the year ended June 30, 2016, the City recognized funds held by NMFA for debt service reserves in the City's name. The result was an increase in fund balance of \$70,037 for the City's debt service fund.

During the year ended June 30, 2016, the City was notified that dbet it had been carrying had not been funded by NMFA. As a result, all payment previously made were returned to the City and the debt was eliminated from the Joint Utility Fund. The result was in increase to the Joint Utility Fund balance of \$23,018.

The following table outlines the cumulative effect of the adjustments to net position/fund balances:

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Fund</u>	<u>Purpose/Reason</u>	<u>Amount</u>
Governmental activities		
Governmental funds		
Debt service fund	Recognize debt service reserve funds held by NMFA	\$ <u>70,037</u>
Total governmental funds		<u>70,037</u>
Government-wide statements	Adjustments from above	<u>70,037</u>
Total governmental activities		\$ <u><u>70,037</u></u>
Business-type activities		
Proprietary funds		
Joint utility fund	Elimination of debt	\$ <u>23,018</u>
Total business-type activities		\$ <u><u>23,018</u></u>

NOTE 19 – EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 14, 2016, the date which the financial statements were available to be issued.

NOTE 20 – SUBSEQUENT PRONOUNCEMENTS

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: A portion of this provision of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the City's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The City does not expect this pronouncement to have a material effect on the financial statements as they do not participate in such a plan.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2017. The City is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued. Effective Date: The requirements of this Statement are

STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
City of Lordsburg's proportion of the net pension liability (asset)	0.0775%	0.0752%
City of Lordsburg's proportionate share of the net pension liability (asset)	\$ 790,180	\$ 586,641
City of Lordsburg's covered-employee payroll	\$ 1,109,539	\$ 920,396
City of Lordsburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71.22%	63.74%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See independent auditors' report
 See notes to required supplementary information

STATE OF NEW MEXICO
CITY OF LORDSBURG HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Lordsburg Housing Authority's proportion of the net pension liability (asset)	0.0120%	0.0127%
Lordsburg Housing Authority's proportionate share of the net pension liability (asset)	\$ 122,350	\$ 99,074
Lordsburg Housing Authority's covered-employee payroll	\$ 166,348	\$ 145,418
Lordsburg Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.55%	68.13%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show

See independent auditors' report
 See notes to required supplementary information

STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF THE CITY OF LORDSBURG'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL POLICE
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
City of Lordsburg's proportion of the net pension liability (asset)	0.1836%	0.2042%
City of Lordsburg's proportionate share of the net pension liability (asset)	\$ 882,852	\$ 665,670
City of Lordsburg's covered-employee payroll	\$ 636,106	\$ 421,217
City of Lordsburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	138.79%	158.03%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See independent auditors' report
 See notes to required supplementary information

STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	2016	2015
Contractually required contribution	\$ 65,513	\$ 61,452
Contributions in relation to the contractually required contribution	65,513	61,452
Contribution deficiency (excess)	-	-
City's covered-employee payroll	1,109,539	920,396
Contributions as a percentage of covered-employee payroll	5.90%	6.68%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See independent auditors' report
 See notes to required supplementary information

STATE OF NEW MEXICO
CITY OF LORDSBURG HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 8,877	\$ 9,498
Contributions in relation to the contractually required contribution	<u>8,877</u>	<u>9,498</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
City Housing Authority's covered-employee payroll	166,348	145,418
Contributions as a percentage of covered-employee payroll	5.34%	6.53%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See independent auditors' report
 See notes to required supplementary information

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal Police Division
Last 10 Fiscal Years***

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 62,646	\$ 68,003
Contributions in relation to the contractually required contribution	<u>62,646</u>	<u>68,003</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
City's covered-employee payroll	421,217	421,217
Contributions as a percentage of covered-employee payroll	14.87%	16.14%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See independent auditors' report
See notes to required supplementary information

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirementfund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2015 valuation.

Changes in assumption resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016**

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 535,371	125,883	212,608	873,862
Receivables				
Taxes receivable	<u>59,527</u>	<u>-</u>	<u>-</u>	<u>59,527</u>
Total assets	<u>1,068,688</u>	<u>325,883</u>	<u>262,608</u>	<u>1,657,179</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assests and deferred outflows of resources	<u>\$ 1,068,688</u>	<u>325,883</u>	<u>262,608</u>	<u>1,657,179</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	1,187	18,167	-	19,354
Accrued payroll liabilities	\$ 3,395	-	-	3,395
Due to other fund	<u>-</u>	<u>1,071</u>	<u>-</u>	<u>1,071</u>
Total liabilities	<u>4,582</u>	<u>19,238</u>	<u>-</u>	<u>23,820</u>
Deferred Inflows of Resources:				
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	979,267	324,812	262,608	1,566,687
Committed	84,839	-	-	84,839
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>(18,167)</u>	<u>-</u>	<u>(18,167)</u>
Total fund balances	<u>1,064,106</u>	<u>306,645</u>	<u>262,608</u>	<u>1,633,359</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 1,068,688</u>	<u>325,883</u>	<u>262,608</u>	<u>1,657,179</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, 2016**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Totals</u>
Revenues:				
Taxes				
Gross receipts	\$ 230,895	-	-	230,895
Other	221,207	-	-	221,207
Licenses and permits	7,318	-	-	7,318
Charges for services	67,308	-	-	67,308
Intergovernmental revenue				
State grants	181,296	3,220	-	184,516
Interest income	42	-	696	738
Miscellaneous income	505	101	-	606
Total revenues	<u>708,571</u>	<u>3,321</u>	<u>696</u>	<u>712,588</u>
Expenditures:				
Current:				
Public safety	181,028	-	-	181,028
Public works	146,228	20,723	-	166,951
Culture and recreation	263,272	-	-	263,272
Health and welfare	90,155	-	-	90,155
Capital outlay	10,000	18,167	-	28,167
Debt service				
Principal	19,621	1,000	70,000	90,621
Interest	2,724	3,602	8,211	14,537
Total expenditures	<u>713,028</u>	<u>43,492</u>	<u>78,211</u>	<u>834,731</u>
Excess (deficiency) of revenues over (under) expenditures	(4,457)	(40,171)	(77,515)	(122,143)
Other financing sources (uses):				
Transfers in	178,998	34,534	81,000	294,532
Transfers out	(195,898)	-	-	(195,898)
Total other financing sources (uses):	<u>(16,900)</u>	<u>34,534</u>	<u>81,000</u>	<u>98,634</u>
Net change in fund balances	(21,357)	(5,637)	3,485	(23,509)
Beginning fund balance	1,085,463	312,282	189,086	1,586,831
Restatement	-	-	70,037	70,037
Beginning fund balance, as restated	<u>1,085,463</u>	<u>312,282</u>	<u>259,123</u>	<u>1,656,868</u>
Ending fund balance	<u>\$ 1,064,106</u>	<u>306,645</u>	<u>262,608</u>	<u>1,633,359</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, 2016

	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	\$ 157,890	25,407	50,486	14,786	31,879	117,220	52,864	84,839	535,371
Investments	-	-	-	-	-	473,790	-	-	473,790
Receivables									
Taxes receivable	39,465	-	-	-	-	20,062	-	-	59,527
Total assets	<u>197,355</u>	<u>25,407</u>	<u>50,486</u>	<u>14,786</u>	<u>31,879</u>	<u>611,072</u>	<u>52,864</u>	<u>84,839</u>	<u>1,068,688</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>\$ 197,355</u>	<u>25,407</u>	<u>50,486</u>	<u>14,786</u>	<u>31,879</u>	<u>611,072</u>	<u>52,864</u>	<u>84,839</u>	<u>1,068,688</u>
Liabilities, deferred inflows of resources and fund balances:									
Liabilities:									
Accounts payable	\$ -	-	-	1,187	-	-	-	-	1,187
Accrued payroll liabilities	1,222	-	-	-	-	-	2,173	-	3,395
Total liabilities	<u>1,222</u>	<u>-</u>	<u>-</u>	<u>1,187</u>	<u>-</u>	<u>-</u>	<u>2,173</u>	<u>-</u>	<u>4,582</u>
Deferred Inflows of Resources:									
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:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	196,133	25,407	50,486	13,599	31,879	611,072	50,691	-	979,267
Committed	-	-	-	-	-	-	-	84,839	84,839
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>196,133</u>	<u>25,407</u>	<u>50,486</u>	<u>13,599</u>	<u>31,879</u>	<u>611,072</u>	<u>50,691</u>	<u>84,839</u>	<u>1,064,106</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 197,355</u>	<u>25,407</u>	<u>50,486</u>	<u>14,786</u>	<u>31,879</u>	<u>611,072</u>	<u>52,864</u>	<u>84,839</u>	<u>1,068,688</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, 2016**

	<u>CDBG Funds</u>	<u>2007-2008 Co-Op</u>	<u>Waste Water Reuse Fund</u>	<u>Road Projects</u>	<u>Totals</u>
Assets and deferred inflows of resources:					
Assets:					
Cash and cash equivalents	\$ 38,003	34,081	53,799	-	125,883
Investments	-	-	200,000	-	200,000
Total assets	<u>38,003</u>	<u>34,081</u>	<u>253,799</u>	<u>-</u>	<u>325,883</u>
Deferred Outflows of Resources:					
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 38,003</u>	<u>34,081</u>	<u>253,799</u>	<u>-</u>	<u>325,883</u>
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	\$ -	-	-	18,167	18,167
Due to other fund	1,071	-	-	-	1,071
Total liabilities	<u>1,071</u>	<u>-</u>	<u>-</u>	<u>18,167</u>	<u>19,238</u>
Deferred Inflows of Resources:					
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	36,932	34,081	253,799	-	324,812
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(18,167)	(18,167)
Total fund balances	<u>36,932</u>	<u>34,081</u>	<u>253,799</u>	<u>(18,167)</u>	<u>306,645</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 38,003</u>	<u>34,081</u>	<u>253,799</u>	<u>-</u>	<u>325,883</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, 2016**

	Debt Service Fund	Totals
Assets and deferred inflows of resources:		
Assets:		
Cash and cash equivalents	\$ 212,608	212,608
Investments	50,000	50,000
Total assets	262,608	262,608
Deferred Outflows of Resources:		
Total deferred outflows of resources	-	-
Total assets and deferred outflows of resources	\$ 262,608	262,608
Liabilities, deferred inflows of resources and fund balances:		
Liabilities:		
Total liabilities	\$ -	-
Deferred Inflows of Resources:		
Total deferred inflows of resources	-	-
Fund balances:		
Nonspendable	-	-
Restricted	262,608	262,608
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total fund balances	262,608	262,608
Total liabilities, deferred inflows of resources and fund balances:	\$ 262,608	262,608

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, 2016

	Road Fund	Fire Fund	Corrections Fund	Law Enforcement Fund	Cemetary Fund	Lodgers' Tax	Recreation Fund	Special Events Center	Total
Revenues:									
Taxes									
Gross receipts	\$ 230,895	-	-	-	-	-	-	-	230,895
Other	-	-	-	-	-	221,207	-	-	221,207
Licenses and permits	-	-	-	-	7,318	-	-	-	7,318
Charges for services	-	-	43,762	-	10,035	-	8,002	5,509	67,308
Intergovernmental revenue									
State grants	-	155,896	-	25,400	-	-	-	-	181,296
Interest income	-	42	-	-	-	-	-	-	42
Miscellaneous income	-	-	-	-	-	485	-	20	505
Total revenues	<u>230,895</u>	<u>155,938</u>	<u>43,762</u>	<u>25,400</u>	<u>17,353</u>	<u>221,692</u>	<u>8,002</u>	<u>5,529</u>	<u>708,571</u>
Expenditures:									
Current:									
Public safety	-	121,321	33,535	26,172	-	-	-	-	181,028
Public works	146,228	-	-	-	-	-	-	-	146,228
Culture and recreation	-	-	-	-	-	174,869	55,779	32,624	263,272
Health and welfare	-	-	-	-	90,155	-	-	-	90,155
Capital outlay	10,000	-	-	-	-	-	-	-	10,000
Debt service									
Principal	-	19,621	-	-	-	-	-	-	19,621
Interest	-	2,724	-	-	-	-	-	-	2,724
Total expenditures	<u>156,228</u>	<u>143,666</u>	<u>33,535</u>	<u>26,172</u>	<u>90,155</u>	<u>174,869</u>	<u>55,779</u>	<u>32,624</u>	<u>713,028</u>
Excess (deficiency) of revenues over (under) expenditures	74,667	12,272	10,227	(772)	(72,802)	46,823	(47,777)	(27,095)	(4,457)
Other financing sources (uses):									
Transfers in	-	-	-	-	48,100	106,898	-	24,000	178,998
Transfers out	(5,000)	-	-	-	-	(187,898)	(1,000)	(2,000)	(195,898)
Total other financing sources (uses):	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,100</u>	<u>(81,000)</u>	<u>(1,000)</u>	<u>22,000</u>	<u>(16,900)</u>
Net change in fund balances	69,667	12,272	10,227	(772)	(24,702)	(34,177)	(48,777)	(5,095)	(21,357)
Beginning fund balance	<u>126,466</u>	<u>13,135</u>	<u>40,259</u>	<u>14,371</u>	<u>56,581</u>	<u>645,249</u>	<u>99,468</u>	<u>89,934</u>	<u>1,085,463</u>
Ending fund balance	<u>\$ 196,133</u>	<u>25,407</u>	<u>50,486</u>	<u>13,599</u>	<u>31,879</u>	<u>611,072</u>	<u>50,691</u>	<u>84,839</u>	<u>1,064,106</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, 2016**

	<u>CDBG Funds</u>	<u>2007-2008 Co-Op</u>	<u>Waste Water Reuse Fund</u>	<u>Road Projects</u>	<u>Totals</u>
Revenues:					
Intergovernmental revenue					
State grants	-	-	-	3,220	3,220
Miscellaneous income	\$ 101	-	-	-	101
Total revenues	<u>101</u>	<u>-</u>	<u>-</u>	<u>3,220</u>	<u>3,321</u>
Expenditures:					
Current:					
Public works	-	-	3	20,720	20,723
Capital outlay	-	-	-	18,167	18,167
Debt service					
Principal	-	-	1,000	-	1,000
Interest	-	-	3,602	-	3,602
Total expenditures	<u>-</u>	<u>-</u>	<u>4,605</u>	<u>38,887</u>	<u>43,492</u>
Excess (deficiency) of revenues over (under) expenditures	101	-	(4,605)	(35,667)	(40,171)
Other financing sources (uses):					
Transfers in	-	17,034	-	17,500	34,534
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>17,034</u>	<u>-</u>	<u>17,500</u>	<u>34,534</u>
Net change in fund balances	101	17,034	(4,605)	(18,167)	(5,637)
Beginning fund balance	<u>36,831</u>	<u>17,047</u>	<u>258,404</u>	<u>-</u>	<u>312,282</u>
Ending fund balance	<u>\$ 36,932</u>	<u>34,081</u>	<u>253,799</u>	<u>(18,167)</u>	<u>306,645</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, 2016**

	Debt Service Fund	Totals
Revenues:		
Interest income	\$ 696	696
Total revenues	696	696
Expenditures:		
Current:		
General government	-	-
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
Health and welfare	-	-
Capital outlay	-	-
Debt service		
Principal	70,000	70,000
Interest	8,211	8,211
Total expenditures	78,211	78,211
Excess (deficiency) of revenues over (under) expenditures	(77,515)	(77,515)
Other financing sources (uses):		
Transfers in	81,000	81,000
Transfers out	-	-
Total other financing sources (uses):	81,000	81,000
Net change in fund balances	3,485	3,485
Beginning fund balance	189,086	189,086
Restatement	70,037	70,037
Beginning fund balance, as restated	259,123	259,123
Ending fund balance	\$ 262,608	262,608

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, 2016**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes				
Gross receipts	\$ 237,039	237,039	232,886	(4,153)
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	237,039	237,039	232,886	(4,153)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	181,355	181,355	146,124	35,231
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	10,500	10,500	10,000	500
Total expenditures	191,855	191,855	156,124	35,731
Excess (deficiency) of revenues over (under) expenditures	45,184	45,184	76,762	(39,884)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses):	(5,000)	(5,000)	(5,000)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	40,184	40,184	71,762	(39,884)
Budgeted cash carryover	-	-	-	
Net change in fund balance	\$ 40,184	40,184	71,762	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 71,762	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			(1,991)	
Adjustments to expenditures for accrued wages and expenditures			(104)	
Net change in fund balance (GAAP)			\$ 69,667	

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, 2016**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
State grants	\$ 139,963	139,963	133,551	(6,412)
Other grants	-	-	-	-
Interest income	-	-	3	3
Miscellaneous income	-	-	-	-
Total revenues	139,963	139,963	133,554	(6,409)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	139,963	139,963	121,321	18,642
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	139,963	139,963	121,321	18,642
Excess (deficiency) of revenues over (under) expenditures	-	-	12,233	(25,051)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	12,233	(25,051)
Budgeted cash carryover	-	-	-	
Net change in fund balance	\$ -	-	12,233	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 12,233	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			22,384	
Adjustments to expenditures for accrued wages and expenditures			(22,345)	
Net change in fund balance (GAAP)			\$ 12,272	

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, 2016**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Charges for services	\$ 78,620	78,620	43,762	(34,858)
Total revenues	78,620	78,620	43,762	(34,858)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	75,976	75,976	33,535	42,441
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	75,976	75,976	33,535	42,441
Excess (deficiency) of revenues over (under) expenditures	2,644	2,644	10,227	(77,299)
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)	2,644	2,644	10,227	(77,299)
Budgeted cash carryover	-	-	-	
Net change in fund balance	\$ 2,644	2,644	10,227	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 10,227	
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)			\$ 10,227	

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, 2016**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
State grants	\$ 25,400	25,400	25,400	-
Other grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	25,400	25,400	25,400	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	31,740	31,740	24,985	6,755
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	31,740	31,740	24,985	6,755
Excess (deficiency) of revenues over (under) expenditures	(6,340)	(6,340)	415	(6,755)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(6,340)	(6,340)	415	(6,755)
Budgeted cash carryover	6,340	6,340	-	
Net change in fund balance	\$ -	-	415	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 415	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			(1,187)	
Net change in fund balance (GAAP)			\$ (772)	

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, 2016**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Licenses and permits	\$ 5,400	5,400	7,318	1,918
Charges for services	5,862	5,862	10,035	4,173
Fines and forfeitures	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	150	150	-	(150)
Total revenues	11,412	11,412	17,353	5,941
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	107,199	107,199	91,696	15,503
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	107,199	107,199	91,696	15,503
Excess (deficiency) of revenues over (under) expenditures	(95,787)	(95,787)	(74,343)	(9,562)
Other financing sources (uses):				
Transfers in	48,100	48,100	48,100	-
Transfers out	-	-	-	-
Total other financing sources (uses):	48,100	48,100	48,100	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(47,687)	(47,687)	(26,243)	(9,562)
Budgeted cash carryover	47,687	47,687	26,243	
Net change in fund balance	\$ -	-	-	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (26,243)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			1,541	
Net change in fund balance (GAAP)			\$ (24,702)	

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Other	\$ 210,895	210,895	218,995	8,100
Interest income	-	-	-	-
Total revenues	<u>210,895</u>	<u>210,895</u>	<u>219,480</u>	<u>8,585</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	208,200	208,200	174,869	33,331
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>208,200</u>	<u>208,200</u>	<u>174,869</u>	<u>33,331</u>
Excess (deficiency) of revenues over (under) expenditures	2,695	2,695	44,611	(24,746)
Other financing sources (uses):				
Transfers in	205,000	205,000	205,000	-
Transfers out	<u>(286,000)</u>	<u>(286,000)</u>	<u>(286,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>(81,000)</u>	<u>(81,000)</u>	<u>(81,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(78,305)	(78,305)	(36,389)	<u>(24,746)</u>
Budgeted cash carryover	<u>78,305</u>	<u>78,305</u>	<u>36,389</u>	
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (36,389)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			2,212	
Adjustments to expenditures for accrued wages and expenditures			<u>-</u>	
Net change in fund balance (GAAP)			<u>\$ (34,177)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 4,224	4,224	8,002	3,778
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	<u>4,224</u>	<u>4,224</u>	<u>8,002</u>	<u>3,778</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	89,731	89,731	57,144	32,587
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>89,731</u>	<u>89,731</u>	<u>57,144</u>	<u>32,587</u>
Excess (deficiency) of revenues over (under) expenditures	(85,507)	(85,507)	(49,142)	(28,809)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>
Total other financing sources (uses):	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(87,507)	(87,507)	(50,142)	<u>(29,809)</u>
Budgeted cash carryover	<u>87,507</u>	<u>87,507</u>	<u>50,142</u>	
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (50,142)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			<u>1,365</u>	
Net change in fund balance (GAAP)			<u>\$ (48,777)</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, 2016**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Charges for services	\$ 6,040	6,040	5,509	(531)
Miscellaneous income	1,000	1,000	20	(980)
Total revenues	7,040	7,040	5,529	(1,511)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	111,183	111,183	33,208	77,975
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	111,183	111,183	33,208	77,975
Excess (deficiency) of revenues over (under) expenditures	(104,143)	(104,143)	(27,679)	(79,486)
Other financing sources (uses):				
Transfers in	109,000	109,000	24,000	(85,000)
Transfers out	(2,000)	(2,000)	(2,000)	-
Total other financing sources (uses):	107,000	107,000	22,000	(85,000)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	2,857	2,857	(5,679)	(164,486)
Budgeted cash carryover	-	-	5,679	
Net change in fund balance	\$ 2,857	2,857	-	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (5,679)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			584	
Net change in fund balance (GAAP)			\$ (5,095)	

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue				
Federal grants	\$ -	-	-	-
State grants	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Proceeds from debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	-	<u>-</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>	<u>-</u>	
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ -	
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>\$ -</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, 2016

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Miscellaneous income	\$ -	-	101	101
Total revenues	-	-	101	101
Expenditures:				
Current:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	101	101
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	101	101
Budgeted cash carryover	-	-	-	
Net change in fund balance	\$ -	-	101	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 101	
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)			\$ 101	

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, 2016

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
State grants	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
Capital outlay	17,034	17,034	-	17,034
Total expenditures	17,034	17,034	-	17,034
Excess (deficiency) of revenues over (under) expenditures	(17,034)	(17,034)	-	(17,034)
Other financing sources (uses):				
Transfers in	17,034	17,034	17,034	-
Transfers out	-	-	-	-
Total other financing sources (uses):	17,034	17,034	17,034	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	17,034	(17,034)
Budgeted cash carryover	-	-	-	
Net change in fund balance	-	-	17,034	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 17,034	
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)			\$ 17,034	

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, 2016**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Miscellaneous income	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
Public works	-	-	3	(3)
Capital outlay	40,000	40,000	-	40,000
Debt service				
Principal	17,000	17,000	4,602	12,398
Interest	-	-	-	-
Total expenditures	57,000	57,000	4,605	52,395
Excess (deficiency) of revenues over (under) expenditures	(57,000)	(57,000)	(4,605)	(52,395)
Other financing sources (uses):				
Transfers in	57,000	57,000	-	(57,000)
Transfers out	-	-	-	-
Total other financing sources (uses):	57,000	57,000	-	(57,000)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	(4,605)	(109,395)
Budgeted cash carryover	-	-	4,605	
Net change in fund balance	\$ -	-	-	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (4,605)	
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)			\$ (4,605)	

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

STATE OF NEW MEXICO
CITY OF LORDSBURG
ROAD PROJECTS 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, 2016

	<u>Budgeted Amounts</u>			<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental revenue				
State grants	\$ 3,220	3,220	3,220	-
Total revenues	<u>3,220</u>	<u>3,220</u>	<u>3,220</u>	-
Expenditures:				
Current:				
Public works	<u>20,720</u>	<u>20,720</u>	<u>20,720</u>	-
Total expenditures	<u>20,720</u>	<u>20,720</u>	<u>20,720</u>	-
Excess (deficiency) of revenues over (under) expenditures	(17,500)	(17,500)	(17,500)	-
Other financing sources (uses):				
Transfers in	17,500	17,500	17,500	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	-
Total other financing sources (uses):	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	-	<u>-</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>	<u>-</u>	
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ -	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			<u>(18,167)</u>	
Net change in fund balance (GAAP)			<u>\$ (18,167)</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, 2016

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Miscellaneous income	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
Debt service				
Principal	70,000	70,000	70,000	-
Interest	10,039	10,039	7,622	2,417
Total expenditures	80,039	80,039	77,622	2,417
Excess (deficiency) of revenues over (under) expenditures	(80,039)	(80,039)	(77,622)	(2,417)
Other financing sources (uses):				
Transfers in	81,000	81,000	81,000	-
Transfers out	(70)	(70)	-	(70)
Total other financing sources (uses):	80,930	80,930	81,000	(70)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	891	891	3,378	(2,487)
Budgeted cash carryover	-	-	-	
Net change in fund balance	\$ 891	891	3,378	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 3,378	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			695	
Adjustments to expenditures for accrued wages and expenditures			(588)	
Net change in fund balance (GAAP)			\$ 3,485	

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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 1,700,350	1,700,350	1,705,833	5,483
Total operating revenues	<u>1,700,350</u>	<u>1,700,350</u>	<u>1,705,833</u>	<u>5,483</u>
Operating expenses:				
Personnel services	446,294	446,294	441,607	4,687
Operating expenses	2,007,184	2,007,184	1,430,063	577,121
Depreciation and amortization	-	-	-	-
Total operating expenses	<u>2,453,478</u>	<u>2,453,478</u>	<u>1,871,670</u>	<u>581,808</u>
Operating income (loss)	(753,128)	(753,128)	(165,837)	587,291
Non-operating revenues (expenses):				
Gross receipts and other taxes	117,035	117,035	120,972	3,937
Miscellaneous	40,839	40,839	111,363	70,524
Interest income	-	-	104	104
Interest expense	<u>(59,109)</u>	<u>(59,109)</u>	<u>(63,908)</u>	<u>(4,799)</u>
Total non-operating revenues (expenses)	<u>98,765</u>	<u>98,765</u>	<u>168,531</u>	<u>69,766</u>
Income (loss) before transfers	(654,363)	(654,363)	2,694	657,057
Other financing sources/(uses)				
Transfers in	265,282	265,282	263,693	(1,589)
Transfers out	<u>(304,794)</u>	<u>(304,794)</u>	<u>(336,805)</u>	<u>(32,011)</u>
Total other financing sources/(uses)	<u>(39,512)</u>	<u>(39,512)</u>	<u>(73,112)</u>	<u>(33,600)</u>
Change in net position	(733,387)	(733,387)	<u>(70,418)</u>	<u>623,457</u>
Budgeted cash carryover	<u>733,387</u>	<u>733,387</u>		
Total	\$ <u>-</u>	<u>-</u>		
Reconciliation From Budget/Actual to GAAP				
Change in net position (Non-GAAP budgetary basis)			\$ (70,418)	
Adjustments to revenue for tax and other miscellaneous revenue accruals			758,418	
Adjustments to expenditures for accrued wages and expenditures			89,696	
Depreciation and other non-cash items			<u>(434,525)</u>	
Change in net position (GAAP)			\$ <u>343,171</u>	

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
HOUSING AUTHORITY - LOW RENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Operating revenues:				
Charges for services	\$ 233,000	233,000	218,668	(14,332)
Total operating revenues	233,000	233,000	218,668	(14,332)
Operating expenses:				
Personnel services	216,000	216,000	195,324	20,676
Operating expenses	285,181	285,181	212,707	72,474
Depreciation and amortization	150,000	150,000	86,509	63,491
Total operating expenses	651,181	651,181	494,540	156,641
Operating income (loss)	(418,181)	(418,181)	(275,872)	142,309
Non-operating revenues (expenses):				
Gain/(loss) on disposal of capital assets	-	-	-	-
Grant revenues	270,000	270,000	238,804	(31,196)
Gross receipts and other taxes	-	-	-	-
Miscellaneous	5,000	5,000	1,859	(3,141)
Interest income	1,000	1,000	19	(981)
Interest expense	-	-	-	-
Total non-operating revenues (expenses)	276,000	276,000	240,682	(35,318)
Income (loss) before transfers	(142,181)	(142,181)	(35,190)	106,991
Other financing sources/(uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources/(uses)	-	-	-	-
Change in net position	(142,181)	(142,181)	(35,190)	106,991
Budgeted cash carryover	142,181	142,181		
Total	\$ -	-		
Reconciliation From Budget/Actual to GAAP				
Change in net position (Non-GAAP budgetary basis)			\$ (35,190)	
Adjustments to revenue for tax and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			4,212	
Change in net position (GAAP)			\$ (30,978)	

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

STATE OF NEW MEXICO
CITY OF LORDSBURG
HOUSING AUTHORITY - CFP FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>			<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:				
Charges for services	\$ -	-	-	-
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Operating expenses	<u>36,502</u>	<u>36,502</u>	<u>36,502</u>	<u>-</u>
Total operating expenses	36,502	36,502	36,502	-
Operating income (loss)	(36,502)	(36,502)	(36,502)	-
Non-operating revenues (expenses):				
Grant revenues	<u>36,502</u>	<u>36,502</u>	<u>36,502</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>36,502</u>	<u>36,502</u>	<u>36,502</u>	<u>-</u>
Income (loss) before transfers	-	-	-	-
Other financing sources/(uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	-	-	<u>-</u>	<u>-</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
Total	\$ <u>-</u>	<u>-</u>		
Reconciliation From Budget/Actual to GAAP				
Change in net position (Non-GAAP budgetary basis)			\$ -	
Adjustments to revenue for tax and other miscellaneous revenue accruals			-	
Adjustments to expenditures for accrued wages and expenditures			-	
Depreciation and other non-cash items			<u>-</u>	
Change in net position (GAAP)			<u>\$ -</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, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Expenditures
U.S. Department of Homeland Security			
Passed through NM Department of Homeland Security and Hidalgo County			
Homeland Security Grant Program	97.067	EMW-2015-SS-00152-801 - Hidalgo County	169,861
Emergency Management Performance Grants	97.042		39,500
U.S. Department of Transportation			
Passed through NM Department of Transportation			
Airport Improvement Program	20.106*	3-35-0026-015-2015	220,576
Airport Improvement Program	20.106*	3-35-0026-015-2014	38,616
Total CFDA #20.106			259,192
Highway Planning and Construction	20.205	Unknown	1,396
National Priority Safety Programs	20.616	Unknown	17,771
Department of Housing and Urban Development			
Public Housing Capital Fund	14.872	NM02P034501-13	36,502
Public and Indian Housing	14.850*	NM034-00000114D	238,804
Total			\$ 794,452

* Major program

Note 1 - Basis of Presentation

The above Schedule of Expenditures of federal awards includes the federal grant activity of the City of Lordsburg and is presented on the accrual basis of accounting (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 the Uniform guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in preparation of the basic financial statements.

Note 2 - Federally Funded Loans

The City has no federally funded loans or loan guarantee programs as of June 30, 2016.

Note 3 - 10% de minimus Indirect Cost Rate

The City did not elect to use the allowed de minimus indirect cost rate.

Note 4 - Federally Funded Insurance

The City has no federally funded insurance.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FUND BALANCES
As of June 30, 2016**

	<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	-	-	50,691	50,691
Economic development efforts		-	61,072	61,072
Various capital project efforts	-	60	324,812	324,872
Road improvements	-	-	196,133	196,133
Debt service requirements	-	-	262,608	262,608
Fire fighting efforts/equipment	-	-	25,407	25,407
Public safety and law enforcement efforts	-	-	64,085	64,085
Operate/maintain cemetery	-	-	31,879	31,879
Subtotal restricted funds	-	60	1,566,687	1,566,747
Committed to:				
Operate/maintain recreational facilities	-	-	84,839	84,839
DFA required reserves	-	-	-	-
Subtotal committed funds	-	-	84,839	84,839
Assigned to:				
Subtotal assigned funds	-	-	-	-
Unassigned	1,065,683	-	(18,167)	1,047,516
	\$ <u>1,065,683</u>	<u>60</u>	<u>1,633,359</u>	<u>2,699,102</u>

See independent auditor's report.

STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF DEPOSITORIES
As of June 30, 2016

<u>Account name</u>	<u>Type</u>	<u>Western Bank</u>	<u>NMFA</u>	<u>Plus Deposits in Transit</u>	<u>Less O/S Checks</u>	<u>Balance Per Books</u>
General operating	CK*	600,015	-	-	(55,814)	544,201
Solid waste reserve	CK*	985	-	-	-	985
Bond account	CK*	454	-	-	-	454
CDBG 2009 water impr	CK*	104	-	-	-	104
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*	344	-	-	-	344
Debt service	CK*	262,427	-	-	-	262,427
CFP Account	CK	2,240	-	-	-	2,240
General account	CK*	11,378	-	-	(703)	10,675
Tenant security deposits	CK	20,080	-	-	-	20,080
City Overnight account	MMKT	403,501	-	-	-	403,501
Housing Overnight account	MMKT	665	-	-	-	665
City CDs	CD	4,875,128	-	-	-	4,875,128
Housing CDs	CDs	252,043	-	-	-	252,043
NMFA Debt service reserves	CK*	-	124,384	-	-	124,384
Total cash and equivalents		<u>6,478,097</u>	<u>124,384</u>	<u>-</u>	<u>(56,517)</u>	<u>6,545,964</u>
Total amount on deposit		6,478,097	124,384	-	(56,517)	6,545,964
FDIC coverage		(250,000)	(250,000)			
Total uninsured public funds		<u>6,228,097</u>	<u>(125,616)</u>			
50% collateral requirement (Section 6-10-17 NMSA-1978)		3,114,049	-			
Pledge security		3,628,564	-			
See NMFA audited financials						
Amount (over)/under collateralized		<u>(514,516)</u>	<u>-</u>			

* denotes interest bearing account

STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY
As of June 30, 2016

Cusip ID	Description/ Maturity	Coupon	S&P Rating	Pledged Percent	Pledged		
					Par	Market Value	
Western Bank - For City of Lordsburg							
<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	418,283	
189414HN8	CLOVIS N MEX SCHOOL DISTRICT SERIES 2011 8/1/2025	3.70	N/A	100%	500,000	553,525	
297326EG1	ESTANCIA N MEX SCHOOL DISTRICT GO BONDS SERIES 6/15/2022	3.50	N/A	100%	50,000	58,603	
31346VH28	FHLMC ARM Pool 7/1/2030			100%	165,995	165,995	
31392FPP6	FNMA 2002-74 PE 3/15/2023			100%	32,260	35,788	
362550KR5	GADSDEN N MEX INDPT SCH DIST NO 016 SCH BLDG-SEF 8/15/2023	3.75	N/A	100%	350,000	351,131	
429308DE6	HIDALGO CNTY N MEX MUN SCH DIST NO 001 10/1/2016	4.00	N/A	100%	100,000	100,850	
429308DF3	HIDALGO CNTY N MEX MUN SCH DIST NO 001 10/1/2017	4.05	N/A	100%	120,000	120,990	
429308DG1	HIDALGO CNTY N MEX MUN SCH DIST NO 001 10/1/2018	4.10	N/A	100%	120,000	121,020	
545562QH6	LOS LUNAS SCHOOL DISTRICT GO BONDS SERIES 2012 7/15/2021	2.00	N/A	100%	300,000	315,699	
581615DJ7	MC KINLEY CNTY N MEX GROSS RCPTS TAX REV IMPT 6/1/2023	4.00	AA	100%	340,000	379,525	
801889LT1	SANTA FE CNTY N MEX 7/1/2021	4.00	AA+	100%	250,000	274,625	
82750PAL8	SILVER CITY, N MEX GROSS RECEIPTS TAX IMPR SERIES 2 6/1/2022	3.25	A+	100%	250,000	272,490	
Western Bank - For Lordsburg Housing Authority							
<i>Safekeeping Location - FHLB: Fed Home Loan Bank</i>							
189414HT5	CLOVIS NM MUNI SCH DIST 1 8/1/2017	3.00	N/A	100%	450,000	460,040	
					\$	<u>3,418,255</u>	<u>3,628,564</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, 2016

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, 2016**

<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	\$ 13,581	-	13,581
114	Cash-tenant security deposits	20,080	-	20,080
100	Total cash	<u>33,661</u>	-	<u>33,661</u>
122	Accounts receivable - HUD other projects	482,281	-	482,281
125	Accounts receivable - miscellaneous	2,671	-	2,671
126	Accounts receivable - tenants	3,923	-	3,923
126.1	Allowance for doubtful accounts - tenants	-	-	-
120	Total receivables, net of allowance for doubtful accounts	<u>488,875</u>	-	<u>488,875</u>
131	Investments - Unrestricted	252,043	0	252,043
144	Inter-Program due from	-	20,909	20,909
150	Total current assets	<u>774,579</u>	<u>20,909</u>	<u>795,488</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>(3,338,173)</u>	-	<u>(3,338,173)</u>
160	Total capital assets, net of a/d	<u>1,860,013</u>	-	<u>1,860,013</u>
190	Total Assets	<u>2,634,592</u>	<u>20,909</u>	<u>2,655,501</u>
200	Deferred outflows of resources	<u>37,562</u>	0	<u>37,562</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 2,672,154</u>	<u>20,909</u>	<u>2,693,063</u>
312	Accounts payable <= 90 days	\$ 58,382	-	58,382
321	Accrued wage/payroll taxes payable	-	-	-
322	Accrued compensated absences - current portion	4,163	-	4,163
333	Accounts payable - other government	74,437	-	74,437
341	Tenant security deposits	14,300	-	14,300
347	Inter-program due to	<u>20,909</u>	-	<u>20,909</u>
310	Total current liabilities	172,191	-	172,191
354	Accrued compensated absences - non-current	4,545	-	4,545
357	Accrued Pension and OPEB Liabilities	<u>122,350</u>	-	<u>122,350</u>
300	Total liabilities	<u>299,086</u>	-	<u>299,086</u>
400	Deferred Inflows of Resources	<u>36,000</u>	-	<u>36,000</u>
508.1	Invested in capital assets, net of related debt	1,860,013	-	1,860,013
511.4	Restricted net position	20,080	20,909	40,989
512.4	Unrestricted net position	<u>456,975</u>	-	<u>456,975</u>
513	Total equity- net position	<u>2,337,068</u>	<u>20,909</u>	<u>2,357,977</u>
600	Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,672,154</u>	<u>20,909</u>	<u>2,693,063</u>

See independent auditor's report.

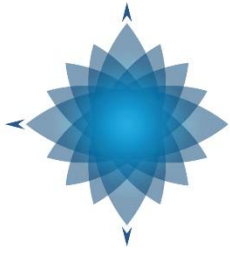
**STATE OF NEW MEXICO
CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
For the Year Ended June 30, 2016**

Line Item	Description	Low Rent 14,850	CFP 14,872	Total
70300	Net tenant rental revenue	\$ 218,668	-	218,668
70500	Total tenant revenue	218,668	-	218,668
70600	HUD PHA operating grants	238,804	-	238,804
70610	Capital grants	-	36,502	36,502
71100	Investment income - unrestricted	19	-	19
71500	Other revenue	1,678	-	1,678
70000	Total revenue	459,169	36,502	495,671
91100	Administrative salaries	86,461	-	86,461
91200	Auditing fees	8,000	-	8,000
91500	Employee benefit contributions - administrative	21,171	-	21,171
91900	Other	35,693	-	35,693
91000	Total operating - administrative	151,325	-	151,325
93100	Water	51,077	-	51,077
93200	Electricity	5,285	-	5,285
93300	Gas	29,349	-	29,349
93600	Sewer	28,269	-	28,269
93800	Other utilities expense	14,544	-	14,544
93000	Total utilities	128,524	-	128,524
94100	Ordinary maintenance and operations - labor	83,291	-	83,291
94200	Ordinary maintenance and operations-materials	36,887	36,502	73,389
94300	Ordinary maintenance and operations contracts	3,611	-	3,611
94000	Total maintenance and operations	123,789	36,502	160,291
96140	All other insurance	-	-	-
96100	Total insurance premium	-	-	-
96200	Other general expenses	-	-	-
96900	Total operating expenses	403,638	36,502	440,140
97000	Excess revenues over operating expenses	55,531	-	55,531
97400	Depreciation expense	86,509	-	86,509
90000	Total expenses	490,147	36,502	526,649
100.1	Operating transfers in	-	-	-
100.2	Operating transfers out	-	-	-
101	Total other financing sources (uses)	-	-	-
10000	Excess (deficiency) of revenues over (under) expenses	(30,978)	-	(30,978)
11030	Beginning net position	2,368,046	20,909	2,388,955
11040-10	Prior Period Adjustments	-	-	-
	Net position at end of year	\$ 2,337,068	20,909	2,357,977

See independent auditor's report.

STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
For The Year Ended June 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
6108	City of Lordsburg	Municipalities	Colonias 2013	Competitive (RFP or RFB)	Highland Enterprises	Winner	\$567,612.00	\$567,612.00	Las Cruces, NM	Yes	No	Repair/replaces water tank and water lines	
6108	City of Lordsburg	Municipalities	Colonias 2013	Competitive (RFP or RFB)	Smithco Construction, Inc.	Loser			Caballo, NM	Yes	No	Repair/replaces water tank and water lines	
6108	City of Lordsburg	Municipalities	Colonias 2013	Competitive (RFP or RFB)	Burn Construction Co., Inc.	Loser			Las Cruces, NM	Yes	No	Repair/replaces water tank and water lines	
6108	City of Lordsburg	Municipalities	Colonias 2013	Competitive (RFP or RFB)	Morrow Enterprises, Inc.	Loser			Las Cruces, NM	Yes	No	Repair/replaces water tank and water lines	
6108	City of Lordsburg	Municipalities	Colonias 2013	Competitive (RFP or RFB)	Deming Excavating, Inc.	Loser			Deming, NM	Yes	No	Repair/replaces water tank and water lines	
6108	City of Lordsburg	Municipalities	Colonias 2014	Competitive (RFP or RFB)	Morrow Enterprises, Inc.	Winner	\$518,348.00	\$518,348.00	Las Cruces, NM	Yes	No	Lift station improvements	
6108	City of Lordsburg	Municipalities	Colonias 2014	Competitive (RFP or RFB)	Highland Enterprises	Loser			Las Cruces, NM	Yes	No	Lift station improvements	
6108	City of Lordsburg	Municipalities	Colonias 2014	Competitive (RFP or RFB)	Burn Construction Co., Inc.	Loser			Las Cruces, NM	Yes	No	Lift station improvements	
6108	City of Lordsburg	Municipalities	Colonias 2014	Competitive (RFP or RFB)	Smithco Construction, Inc.	Loser			Caballo, NM	Yes	No	Lift station improvements	
6108	City of Lordsburg	Municipalities	Colonias 2014	Competitive (RFP or RFB)	Spartan Construction Of New Mexico, LLC	Loser			Santa Teresa, NM	Yes	No	Lift station improvements	



**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 funds of the City of Lordsburg, State of New Mexico, as of and for the year ended June 30, 2016, 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 December 14, 2016.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

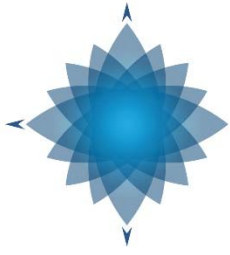
Purpose of this Report

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

December 14, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

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 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Basis for Qualified Opinion on CFDA 14.850 Public and Indian Housing

As described in the accompanying schedule of findings and questioned costs, the City of Lordsburg did not comply with requirements regarding CFDA 14.850 Public and Indian Housing as described in finding number 2015-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the City of Lordsburg to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.850 Public and Indian Housing

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Lordsburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.850 Public and Indian Housing for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Lordsburg 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

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 the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-003 that we consider to be material weaknesses.

City of Lordsburg's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Lordsburg's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

December 14, 2016

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

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? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |
| d. Other Matters? | No |

Federal Awards:

- | | |
|---|-----------------------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditors' report issued on compliance for major programs | Qualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance? | No |
| 4. Identification of major programs: | |
| CFDA | <u>Federal Program</u> |
| <u>Number</u> | Airport Improvement Program |
| 20.106 | Public and Indian Housing |
| 14.850 | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION II FINDINGS – FINANCIAL STATEMENTS

<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Financial Statement Finding</u>	<u>Federal Awards Finding</u>
Prior Year Findings			
2014-007 Material Auditor Adjustments	Resolved	Yes	No
2014-008 Financial Close and Reporting	Resolved	Yes	No
2015-001 Cash Journal Entry Error	Resolved	Yes	No
2015-002 Maintenance of Accounting Records	Resolved	Yes	No
2015-001 Tenent Files	Repeated/modified	No	Yes

Current Year Findings

None

FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS

All resolved

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

None

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL AWARD FINDINGS

2015-003 – TENANT FILES – Material weakness – Modified/repeated

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development

Title: Public and Indian Housing

CFDA Number: 14.850

Questioned Costs: None

Statement of Condition

While performing work at the City's Housing Authority, it was noted that 12 of 25 tenant files tested did not contain documentation required by HUD. This documentation ranged from verification of current income (7 files), birth certificates (1 file), copies of lease agreements (2 files) and form HUD-50058 (1 file). Additionally, it appeared that the dates on the documentation in one file had been altered to appear more recent. Discussion with the Executive Director and staff indicated the tenant became argumentative when asked to sign current documentation, so the date was modified to avoid any further incidents. Documentation in the file supported this assertion.

This is a repeat finding from the prior year. While significant improvement was made to get required documentation into the tenant files, there were still a significant number that were lacking necessary forms.

Criteria

In accordance with 24 CFR sections 5.230, 5.609, and 982.516, as a condition of admission or continued occupancy, the Housing Authority must require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility. Lease agreements between the Authority and its tenants expire annually at which time new agreements are entered into once eligibility criteria have been reviewed/approved.

Effect

The Authority could be limited in its ability to hold its tenants accountable for complying with policy due to the lack of a signed agreement between the two parties.

Cause

Files from the Housing Authority lacked proper documentation and management of the Housing Authority did not provide sufficient monitoring to ensure that tenant files were complete.

Recommendation

Management should implement an internal control structure to ensure that all files have the necessary supporting documentation

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Response

Effective December 01, 2016, the Housing Authority has hired a full time occupancy employee. The Executive Director will pull each file and send out letters to address missing documentation to ensure all files are compliant in containing the required documentation. This is expected to be completed by March 31, 2017. Additionally, effective December 01, 2016, the Executive Director has created a “dummy” file kept on hand in the Occupancy office to assist the occupancy clerk in determining the necessary documentation that should be in each file.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2016**

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 November 17, 2016. The following individuals were in attendance.

City of Lordsburg Officials

Arthur Clark Smith, Mayor – City of Lordsburg

Alfredo Morelos - Mayor Pro-Tem

Martha Salas, Finance Officer – City of Lordsburg

Jeannie Palacios, City Clerk – City of Lordsburg

Bianca Barella, Executive Director – Lordsburg Public Housing Authority

Integrity Accounting & Consulting

Erick Robinson, CPA, CFE Partner