

**STATE OF NEW MEXICO  
CITY OF LORDSBURG**





**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Page</b>
<b>INTRODUCTORY SECTION</b>	
Table of contents	i-ii
Official roster	iii
<b>FINANCIAL SECTION</b>	
Independent auditors' report	1-3
Basic financial statements	
Government-wide financial statements:	
Statement of net position	4
Statement of activities	5
Fund financial statements:	
Balance sheet – Governmental funds	6
Reconciliation of the governmental fund balance to the statement of net position	7
Statement of revenues, expenditures, and changes in fund balances – Governmental funds	8
Reconciliation of the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of activities	9
Statement of revenues, expenditures, and changes in fund balance – budget (non-GAAP budgetary basis) and actual – General fund	10
Statement of net position – Proprietary funds	11
Statement of revenues, expenditures, and changes in fund net position – Proprietary funds	12
Statement of cash flows – Proprietary funds	13
Notes to the financial statements	14-46
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of proportionate share of the net pension liability of PERA fund division municipal general - City Public employees retirement association (PERA) plan	 47
Schedule of proportionate share of the net pension liability of PERA fund division municipal general - Housing authority Public employees retirement association (PERA) plan	 48
Schedule of proportionate share of the net pension liability of PERA fund division municipal police Public employees retirement association (PERA) plan	 49
Schedule of Contributions Public employees retirement association (PERA) plan PERA municipal general division - City	 50

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Page</b>
Schedule of Contributions	
Public employees retirement association (PERA) plan	
PERA municipal general division - Housing authority	51
Schedule of Contributions	
Public employees retirement association (PERA) plan	
PERA municipal police division	52
Notes to Required Supplementary Information	53
 <b>SUPPLEMENTAL INFORMATION</b>	
Combining and individual fund statements and schedules:	
Nonmajor governmental fund descriptions	54
Combining balance sheet – non-major governmental funds	55
Combining statement of revenues, expenditures, and changes in fund balance – non-major governmental funds	56
Combining balance sheets – Nonmajor funds	57-59
Combining statements of revenues, expenditures and changes in fund balance – Nonmajor funds	60-62
 <b>OTHER SUPPLEMENTAL INFORMATION</b>	
Schedule of expenditures of federal awards	63
Schedule of fund balances	64
Schedule of depositories	65
Schedule of pledged collateral by depository	66
Schedule of joint powers agreements and memorandums of understanding	67
Financial data schedule	68-69
 <b>COMPLIANCE SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70-71
 <b>FEDERAL FINANCIAL ASSISTANCE</b>	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required on Internal Control Over Compliance Required by the Uniform Guidance	72-73
Schedule of Findings and Questioned Costs	74-76
 <b>OTHER DISCLOSURES</b>	 77

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2017**

**City of Lordsburg**

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<b>Elected Officials</b>	<b>Title</b>
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

<b>Department Heads</b>	<b>Title</b>
Martha Salas	Finance Officer
Jeannie Palacios	City Clerk

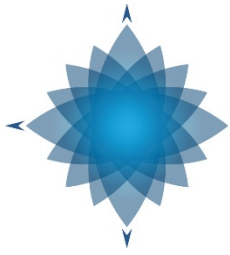
**City of Lordsburg Public Housing Authority**

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

<b>Department Heads</b>	<b>Title</b>
Bianca Barella	Executive Director

## **FINANCIAL SECTION**



## Independent Auditor's Report

Wayne Johnson,  
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, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements 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, 2017, 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.

## **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 47-53 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, 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 13, 2017

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
STATEMENT OF NET POSITION  
As of June 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 1,000,346	539,469	1,539,815
Investments	1,570,000	135,354	1,705,354
Receivables			
Accounts receivable	7,008	497,944	504,952
Taxes receivable	305,912	1,222	307,134
Other receivables	74,807	829,007	903,814
Due from other governments	-	411,146	411,146
Other assets	479	-	479
Total current assets	<u>2,958,552</u>	<u>2,414,142</u>	<u>5,372,694</u>
Non-current assets:			
Restricted cash	-	19,930	19,930
Investments	-	3,193,986	3,193,986
Capital assets	19,907,536	21,432,108	41,339,644
Less: Accumulated depreciation	<u>(7,942,645)</u>	<u>(7,735,133)</u>	<u>(15,677,778)</u>
Total non-current assets	<u>11,964,891</u>	<u>16,910,891</u>	<u>28,875,782</u>
Total assets	<u>14,923,443</u>	<u>19,325,033</u>	<u>34,248,476</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measure	103,664	40,822	144,486
Actuarial experience	123,353	41,071	164,424
Investment experience	305,082	151,247	456,329
Change in assumptions	118,276	48,201	166,477
Change in proportion	5,832	7,334	13,166
Total deferred outflows of resources	<u>656,207</u>	<u>288,675</u>	<u>944,882</u>
Total assets and deferred outflows of resources	<u>\$ 15,579,650</u>	<u>19,613,708</u>	<u>35,193,358</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 22,443	30,721	53,164
Accrued payroll liabilities	57,360	-	57,360
Customer deposits	-	110,005	110,005
Current portion of compensated absences	44,611	33,426	78,037
Current portion of long-term debt	97,958	122,694	220,652
Total current liabilities	<u>222,372</u>	<u>296,846</u>	<u>519,218</u>
Non-current liabilities			
Compensated absences	11,153	8,358	19,511
Net pension liability	1,844,809	822,005	2,666,814
Notes payable	529,701	1,203,790	1,733,491
Total non-current liabilities	<u>2,385,663</u>	<u>2,034,153</u>	<u>4,419,816</u>
Total liabilities	<u>2,608,035</u>	<u>2,330,999</u>	<u>4,939,034</u>
Deferred inflows of resources:			
Actuarial experience	5,029	8,023	13,052
Change in assumptions	24,063	137	24,200
Change in proportion	79,926	33,383	113,309
Total deferred inflows of resources	<u>109,018</u>	<u>41,543</u>	<u>150,561</u>
Net position			
Net Investment in Capital Assets	11,337,232	12,370,491	23,707,723
Unrestricted Net Position	<u>1,525,365</u>	<u>4,870,675</u>	<u>6,396,040</u>
Total net position	<u>12,862,597</u>	<u>17,241,166</u>	<u>30,103,763</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 15,579,650</u>	<u>19,613,708</u>	<u>35,193,358</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, 2017**

<u>Functions/programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes In Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary government:</b>							
Governmental activities							
General government	\$ 1,834,998	46,594	625,354	-	(1,163,050)	-	(1,163,050)
Public safety	1,215,210	49,633	139,997	-	(1,025,580)	-	(1,025,580)
Public works	524,702	-	383,151	-	(141,551)	-	(141,551)
Culture and recreation	625,890	13,672	-	-	(612,218)	-	(612,218)
Health and welfare	58,991	10,297	-	-	(48,694)	-	(48,694)
Interest expense	30,080	-	-	-	(30,080)	-	(30,080)
Total governmental activities	<u>4,289,871</u>	<u>120,196</u>	<u>1,148,502</u>	<u>-</u>	<u>(3,021,173)</u>	<u>-</u>	<u>(3,021,173)</u>
<b>Business-type activities:</b>							
Utilities							
Water	1,286,527	639,442	242,950	-	-	(404,135)	(404,135)
Gas	647,901	429,323	-	-	-	(218,578)	(218,578)
Sewer	633,587	447,542	-	-	-	(186,045)	(186,045)
Solid waste	498,543	443,152	-	-	-	(55,391)	(55,391)
Public housing	896,762	202,614	278,227	253,101	-	(162,820)	(162,820)
Total business-type activities	<u>3,963,320</u>	<u>2,162,073</u>	<u>521,177</u>	<u>253,101</u>	<u>-</u>	<u>(1,026,969)</u>	<u>(1,026,969)</u>
Total primary government	<u>8,253,191</u>	<u>2,282,269</u>	<u>1,669,679</u>	<u>253,101</u>	<u>(3,021,173)</u>	<u>(1,026,969)</u>	<u>(4,048,142)</u>
<b>General revenues:</b>							
Taxes							
Property taxes levied for general purposes					\$ 117,076	-	117,076
Gross receipts taxes					1,942,623	136,726	2,079,349
Other taxes and fees					286,898	-	286,898
Licenses and permits					13,493	-	13,493
Fines, forfeitures, and penalties					226,366	-	226,366
Interest income					39,538	6,203	45,741
Miscellaneous income					693,332	123,747	817,079
Transfers					112,354	(112,354)	-
Total general revenue and transfers					<u>3,431,680</u>	<u>154,322</u>	<u>3,586,002</u>
Changes in net position					410,507	(872,647)	(462,140)
Beginning net position					12,452,090	18,113,813	30,565,903
Net position, end of year					<u>\$ 12,862,597</u>	<u>17,241,166</u>	<u>30,103,763</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, 2017**

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Cap Project</u>	<u>Total Non-Major Funds</u>	<u>Total Funds</u>
		<u>Road Projects Fund</u>		
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 122,537	4,464	873,345	1,000,346
Investments	1,100,000	-	470,000	1,570,000
Receivables				
Accounts receivable	7,008	-	-	7,008
Taxes receivable	259,559	-	57,570	317,129
Interest receivable	-	-	-	-
Other receivables	63,590	-	-	63,590
Due from other funds	1,071	-	-	1,071
Other assets	479	-	-	479
Total assets	<u>1,554,244</u>	<u>4,464</u>	<u>1,400,915</u>	<u>2,959,623</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 1,554,244</u>	<u>4,464</u>	<u>1,400,915</u>	<u>2,959,623</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ -	22,443	-	22,443
Accrued payroll liabilities	57,360	-	-	57,360
Due to other fund	-	-	1,071	1,071
Total liabilities	<u>57,360</u>	<u>22,443</u>	<u>1,071</u>	<u>80,874</u>
Deferred Inflows of Resources:				
"Unavailable" revenues	<u>8,103</u>	-	-	<u>8,103</u>
Total deferred inflows of resources	<u>8,103</u>	-	-	<u>8,103</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	-	1,301,720	1,301,720
Committed	298,193	-	98,124	396,317
Assigned	-	-	-	-
Unassigned	<u>1,190,588</u>	<u>(17,979)</u>	-	<u>1,172,609</u>
Total fund balances	<u>1,488,781</u>	<u>(17,979)</u>	<u>1,399,844</u>	<u>2,870,646</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 1,554,244</u>	<u>4,464</u>	<u>1,400,915</u>	<u>2,959,623</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, 2017**

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

Total fund balance - Governmental funds	\$	2,870,646
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		11,964,891
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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.		8,103
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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		103,664
Actuarial experience		123,353
Investment experience		305,082
Change in assumptions		118,276
Change in proportion		5,832
Deferred inflows of resources related to:		
Actuarial experience		(5,029)
Change in assumptions		(24,063)
Change in proportion		(79,926)

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	\$	(1,844,809)	
Current compensated absences		(44,611)	
Noncurrent compensated absences		(11,153)	
Current notes payable		(97,958)	
Noncurrent notes payable	\$	<u>(529,701)</u>	
			<u>(2,528,232)</u>

Net position for governmental activities	\$	<u><u>12,862,597</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, 2017**

	<u>Major Funds</u>			<u>Total Funds</u>
	<u>General Fund</u>	<u>Cap Project Road Projects Fund</u>	<u>Total Non- Major Funds</u>	
<b>Revenues:</b>				
Taxes				
Property	\$ 108,973	-	-	108,973
Gross receipts/State shared	1,714,799	-	227,824	1,942,623
Other	65,594	-	221,304	286,898
Licenses and permits	8,878	-	4,615	13,493
Charges for services	40,940	-	79,256	120,196
Fines and forfeitures	226,366	-	-	226,366
Intergovernmental revenue				
Federal grants	236,971	-	-	236,971
State grants	388,383	383,151	139,997	911,531
Interest income	38,256	-	1,282	39,538
Miscellaneous income	681,262	-	12,068	693,330
Total revenues	<u>3,510,422</u>	<u>383,151</u>	<u>686,346</u>	<u>4,579,919</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	952,393	-	-	952,393
Public safety	1,083,716	-	131,494	1,215,210
Public works	371,562	-	153,140	524,702
Culture and recreation	105,254	-	520,636	625,890
Health and welfare	35,540	-	23,451	58,991
Capital outlay	446,459	500,464	69,767	1,016,690
Debt service				
Principal	-	-	96,772	96,772
Interest	-	-	30,081	30,081
Total expenditures	<u>2,994,924</u>	<u>500,464</u>	<u>1,025,341</u>	<u>4,520,729</u>
Excess (deficiency) of revenues over (under) expenditures	515,498	(117,313)	(338,995)	59,190
<b>Other financing sources (uses):</b>				
Transfers in	85,100	117,501	451,122	653,723
Transfers out	(177,500)	-	(363,869)	(541,369)
Total other financing sources (uses):	<u>(92,400)</u>	<u>117,501</u>	<u>87,253</u>	<u>112,354</u>
Net change in fund balances	423,098	188	(251,742)	171,544
Beginning fund balance	<u>1,065,683</u>	<u>(18,167)</u>	<u>1,651,586</u>	<u>2,699,102</u>
Ending fund balance	<u>\$ 1,488,781</u>	<u>(17,979)</u>	<u>1,399,844</u>	<u>2,870,646</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, 2017**

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

Total net change in fund balances-governmental funds	\$	171,544
<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		688,518
<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>		
		(550,098)
<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		8,103
<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		(14,076)
Principal payments on long-term debt		96,772
<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		103,664
Pension expense		(93,924)
Rounding		<u>4</u>
Change in net position of governmental activities	\$	<u><u>410,507</u></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, 2017

	<u>Budgeted Amounts</u>			Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes				
Property	\$ 81,432	81,432	106,186	24,754
Gross receipts	1,341,304	1,597,303	1,715,406	118,103
Other	66,666	66,666	68,618	1,952
Licenses and permits	8,100	8,300	8,878	578
Charges for services	20,200	50,200	40,940	(9,260)
Fines and forfeitures	82,000	237,200	226,366	(10,834)
Intergovernmental revenue				
Federal grants	285,365	285,365	192,493	(92,872)
State grants	805,000	805,000	447,635	(357,365)
Interest income	15,000	24,797	38,256	13,459
Miscellaneous income	547,269	702,701	673,617	(29,084)
Total revenues	<u>3,252,336</u>	<u>3,858,964</u>	<u>3,518,395</u>	<u>(340,569)</u>
Expenditures:				
Current:				
General government	1,052,312	1,054,078	925,976	128,102
Public safety	1,153,057	1,206,214	1,113,037	93,177
Public works	388,900	481,080	383,664	97,416
Culture and recreation	97,431	109,555	112,502	(2,947)
Health and welfare	63,000	81,490	35,540	45,950
Capital outlay	635,116	684,500	446,459	238,041
Total expenditures	<u>3,389,816</u>	<u>3,616,917</u>	<u>3,017,178</u>	<u>599,739</u>
Excess (deficiency) of revenues over (under) expenditures	(137,480)	242,047	501,217	(940,308)
Other financing sources (uses):				
Transfers in	68,100	85,100	85,100	-
Transfers out	<u>(164,905)</u>	<u>(169,905)</u>	<u>(177,500)</u>	<u>(7,595)</u>
Total other financing sources (uses):	<u>(96,805)</u>	<u>(84,805)</u>	<u>(92,400)</u>	<u>(7,595)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(234,285)	157,242	408,817	<u>(947,903)</u>
Budgeted cash carryover	<u>234,285</u>	<u>-</u>	<u>-</u>	
Net change in fund balance	<u>\$ -</u>	<u>157,242</u>	<u>408,817</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 408,817	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			(7,972)	
Adjustments to expenditures for accrued wages and expenditures			22,253	
Net change in fund balance (GAAP)			<u>\$ 423,098</u>	

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, 2017**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 505,004	34,465	539,469
Investments	-	135,354	135,354
Receivables			
Accounts receivable, net	494,323	3,621	497,944
Taxes receivable	1,222	-	1,222
Other receivables	829,007	-	829,007
Due from other governments	-	411,146	411,146
Total current assets	<u>1,829,556</u>	<u>584,586</u>	<u>2,414,142</u>
Non-current assets:			
Restricted cash:			
Cash and cash equivalents - tenant security deposits	-	19,930	19,930
Long-term Investments	3,193,986	-	3,193,986
Capital assets, net	<u>11,923,471</u>	<u>1,773,504</u>	<u>13,696,975</u>
Total non-current assets	<u>15,117,457</u>	<u>1,793,434</u>	<u>16,910,891</u>
Total assets	<u>16,947,013</u>	<u>2,378,020</u>	<u>19,325,033</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measurement date	32,407	8,415	40,822
Investment experience	119,205	32,042	151,247
Change in assumptions	37,989	10,212	48,201
Change in proportion	7,334	-	7,334
Total deferred outflows of resources	<u>229,305</u>	<u>59,370</u>	<u>288,675</u>
Total assets and deferred outflows of resources	<u>\$ 17,176,318</u>	<u>2,437,390</u>	<u>19,613,708</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ -	30,721	30,721
Customer deposits	95,605	14,400	110,005
Current portion of compensated absences	28,000	5,426	33,426
Current portion of long-term debt	<u>122,694</u>	-	<u>122,694</u>
Total current liabilities	246,299	50,547	296,846
Non-current liabilities			
Compensated absences	7,002	1,356	8,358
Total pension liability	647,859	174,146	822,005
Notes payable	<u>1,203,790</u>	-	<u>1,203,790</u>
Total non-current liabilities	<u>1,858,651</u>	<u>175,502</u>	<u>2,034,153</u>
Total liabilities	2,104,950	226,049	2,330,999
Deferred inflows of resources:			
Actuarial experience	6,323	1,700	8,023
Change in assumptions	108	29	137
Change in proportion	<u>20,685</u>	<u>12,698</u>	<u>33,383</u>
Total deferred inflows of resources	<u>27,116</u>	<u>14,427</u>	<u>41,543</u>
Net position			
Net Investment in Capital Assets	13,790,973	1,793,434	15,584,407
Unrestricted Net Position	<u>1,253,279</u>	<u>403,480</u>	<u>1,656,759</u>
Total net position	<u>15,044,252</u>	<u>2,196,914</u>	<u>17,241,166</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 17,176,318</u>	<u>2,437,390</u>	<u>19,613,708</u>

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2017**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,959,459	202,614	2,162,073
Federal grants - operating	-	278,227	278,227
Total operating revenues	<u>1,959,459</u>	<u>480,841</u>	<u>2,440,300</u>
Operating expenses:			
Personnel services	775,503	204,061	979,564
Operating expenses	1,862,081	606,192	2,468,273
Depreciation and amortization	<u>428,974</u>	<u>86,509</u>	<u>515,483</u>
Total operating expenses	3,066,558	896,762	3,963,320
Operating income (loss)	(1,107,099)	(415,921)	(1,523,020)
Non-operating revenues (expenses):			
Federal grants - capital	-	253,101	253,101
State grants - capital	242,950	-	242,950
Gross receipts and other taxes	136,726	-	136,726
Miscellaneous	122,008	1,739	123,747
Interest income	<u>6,185</u>	<u>18</u>	<u>6,203</u>
Total non-operating revenues (expenses)	<u>507,869</u>	<u>254,858</u>	<u>762,727</u>
Income (loss) before transfers	(599,230)	(161,063)	(760,293)
Other financing sources/(uses)			
Transfers in	271,472	-	271,472
Transfers out	<u>(383,826)</u>	-	<u>(383,826)</u>
Total other financing sources/(uses)	(112,354)	-	(112,354)
Change in net position	(711,584)	(161,063)	(872,647)
Net position, beginning of year	<u>15,755,836</u>	<u>2,357,977</u>	<u>18,113,813</u>
Net position, end of year	<u>\$ 15,044,252</u>	<u>2,196,914</u>	<u>17,241,166</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, 2017**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,904,419	202,614	2,107,033
Receipts from subsidy grants	-	352,335	352,335
Payments to suppliers and employees	(1,832,925)	(708,190)	(2,541,115)
Payments to employees	<u>(606,226)</u>	<u>(197,573)</u>	<u>(803,799)</u>
Net cash provided (used) for operating activities	(534,732)	(350,814)	(885,546)
Cash flows from noncapital financing activities:			
Transfers from other funds	271,472	-	271,472
Transfers to other funds	(383,826)	-	(383,826)
Tax receipts	136,726	-	136,726
Miscellaneous income	<u>122,008</u>	<u>1,739</u>	<u>123,747</u>
Net cash provided (used) for noncapital financing activities	146,380	1,739	148,119
Cash flows from capital and related financing activities:			
Intergovernmental receipts-capital	242,950	253,101	496,051
Acquisition and construction of capital assets	(28,496)	-	(28,496)
Principal paid on long-term debt	(103,688)	-	(103,688)
Long-term debt proceeds.	<u>116,071</u>	<u>-</u>	<u>116,071</u>
Net cash provided (used) for capital and related financing activities.	226,837	253,101	479,938
Cash flows from investing activities:			
Proceeds from sale and maturities of investments	156,014	116,691	272,705
Interest and dividends	<u>6,185</u>	<u>17</u>	<u>6,202</u>
Net cash provided (used) for investing activities.	162,199	116,708	278,907
Net increase (decrease) in cash and cash equivalents	684	20,734	21,418
Cash and cash equivalents – beginning of year	<u>504,320</u>	<u>33,661</u>	<u>537,981</u>
Cash and cash equivalents – end of year	\$ <u><u>505,004</u></u>	<u><u>54,395</u></u>	<u><u>559,399</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,107,099)	(415,921)	(1,523,020)
Adjustments			
Depreciation and amortization	428,974	86,509	515,483
Pension expense	182,263	8,415	190,678
Bad debt expense	34,477	-	34,477
Changes in assets and liabilities:			
Receivables	(55,040)	74,108	19,068
Accounts payable	(9,854)	(102,098)	(111,952)
Accrued expenses and other liabilities	(15,927)	-	(15,927)
Deposits	4,533	100	4,633
Compensated absences	<u>2,941</u>	<u>(1,927)</u>	<u>1,014</u>
Net cash provided by operating activities	\$ <u><u>(534,732)</u></u>	<u><u>(350,814)</u></u>	<u><u>(885,546)</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, 2017**

**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, or 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 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, 2017.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

*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.

*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.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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 – Road Projects Fund -To account for the construction of various road projects within the City.

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.

*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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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.

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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 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



**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017.

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.

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.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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 amounts are deferred and recognized as an outflow of resources in the period the amounts become available. The City has recorded \$144,486 related to contributions subsequent to the measurement date, \$456,329 related to the net difference between expected and actual earnings on pension plan investments, \$164,424 related to the net difference between expected and actual experience, \$166,477 related to changes in assumptions and \$13,166 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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

period that the amounts become available. The City has recorded \$8,103 related to property taxes and \$0- 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 \$- related to the net difference between expected and actual earnings on pension plan investments, \$13,052 related to the net difference between expected and actual experience, \$24,200 related to changes in assumptions and \$113,309 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.

*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.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

See the Schedule of Fund Balances on page 64 for additional information about fund balances.

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

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

Net Position

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

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

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

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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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 2014. For the year ended June 30, 2017, no interest or penalties were recorded or included in the financial statements.

*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.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 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

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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 65 of this report.

The following is a summary of the City's cash and cash equivalents balances by fund type as of June 30, 2017:

Fund Type	Amount
Primary government	
Governmental funds	\$ 1,000,346
Business-type activities	559,399
Total cash and cash equivalents - primary government	\$ 1,559,745

*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 66 of this report.

As of June 30, 2017, the City's bank balances (inclusive of investments listed in Note 4) of \$6,663,214 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.	4,189,783
Uninsured and uncollateralized	2,223,431
Total uninsured deposits	\$ 6,663,214

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 – INVESTMENTS**

The City’s investments consisted of the following as of June 30, 2017:

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk- Rating</u>	<u>Maturity</u>
Overnight sweep accounts	\$ 780,814	780,814	N/A	N/A
Certificates of deposit	4,899,340	4,899,340	N/A	6 - 36 months
	<u>\$ 5,680,154</u>	<u>5,680,154</u>		

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 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, 2017 are as follows:

Governmental Activities	<u>General Fund</u>	<u>Road Proj Fund</u>	<u>Nonmajor Funds</u>	<u>Total Receivables</u>
Accounts	\$ 197,098	-	-	197,098
Taxes:				
Property	10,890	-	-	10,890
State	235,188	-	39,087	274,275
Other	13,481	-	18,483	31,964
Other	<u>63,590</u>	<u>-</u>	<u>-</u>	<u>63,590</u>
Subtotal	520,247	-	57,570	577,817
Less: Allowance for uncollectibles	<u>(190,090)</u>	<u>-</u>	<u>-</u>	<u>(190,090)</u>
Net Receivables	<u>\$ 330,157</u>	<u>-</u>	<u>57,570</u>	<u>387,727</u>



**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

Business-type Activities	Joint Utility Fund	Housing Authority	Total Receivables
Accounts	\$ 750,280	3,621	753,901
Taxes:			
State	1,222	-	1,222
Other intergovernmental	-	411,146	411,146
Other	<u>829,007</u>	<u>-</u>	<u>829,007</u>
Subtotal	1,580,509	414,767	1,995,276
Less: Allowance for uncollectibles	<u>(255,957)</u>	<u>-</u>	<u>(255,957)</u>
Net Receivables	<u>\$ 1,324,552</u>	<u>414,767</u>	<u>1,739,319</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 \$8,103 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

**NOTE 6 – PROPERTY TAXES**

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Hidalgo County Assessor to develop the property tax schedule by October 1st. The Hidalgo County Treasurer sends tax notices to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City.

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.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 7 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress are not subject to depreciation.

<b>GOVERNMENTAL ACTIVITIES</b>	<b>Balance 06/30/16</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/17</b>
<b>Non-depreciable capital assets:</b>				
Land	\$ 523,769	-	-	523,769
Construction in progress	414,752	112,342	-	527,094
Total non-depreciable capital assets	<u>938,521</u>	<u>112,342</u>	<u>-</u>	<u>1,050,863</u>
<b>Capital assets being depreciated:</b>				
Buildings	4,975,595	-	-	4,975,595
Improvements	4,228,492	460,302	-	4,688,794
Infrastructure	5,554,069	-	-	5,554,069
Machinery and equipment	3,522,340	115,875	-	3,638,215
Total capital assets being depreciated	<u>18,280,496</u>	<u>576,177</u>	<u>-</u>	<u>18,856,673</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(1,516,523)	(103,073)	-	(1,619,596)
Improvements	(2,238,087)	(135,989)	-	(2,374,076)
Infrastructure	(947,026)	(125,276)	-	(1,072,302)
Machinery and equipment	(2,690,909)	(185,762)	-	(2,876,671)
Total accumulated depreciation	<u>(7,392,545)</u>	<u>(550,100)</u>	<u>-</u>	<u>(7,942,645)</u>
Total capital assets being depreciated	<u>10,887,951</u>	<u>26,077</u>	<u>-</u>	<u>10,914,028</u>
Total capital assets, net of depreciation	\$ <u>11,826,472</u>	<u>138,419</u>	<u>-</u>	<u>11,964,891</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Non-depreciable capital assets:</b>				
Land	187,715	-	-	187,715
Construction in progress	\$ 729,665	-	-	729,665
Total non-depreciable capital assets	<u>917,380</u>	<u>-</u>	<u>-</u>	<u>917,380</u>
<b>Capital assets being depreciated:</b>				
Buildings	2,477,238	-	-	2,477,238
Improvements	6,074,448	21,896	-	6,096,344
Utility system	10,793,672	-	-	10,793,672
Machinery and equipment	1,140,874	6,600	-	1,147,474
Total capital assets being depreciated	<u>20,486,232</u>	<u>28,496</u>	<u>-</u>	<u>20,514,728</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(2,460,299)	(530)	-	(2,460,829)
Improvements	(1,998,376)	(264,528)	-	(2,262,904)
Utility system	(1,703,831)	(230,146)	-	(1,933,977)
Machinery and equipment	(1,057,144)	(20,279)	-	(1,077,423)
Total accumulated depreciation	<u>(7,219,650)</u>	<u>(515,483)</u>	<u>-</u>	<u>(7,735,133)</u>
Total capital assets being depreciated	<u>13,266,582</u>	<u>(486,987)</u>	<u>-</u>	<u>12,779,595</u>
Total capital assets, net of depreciation	\$ <u>14,183,962</u>	<u>(486,987)</u>	<u>-</u>	<u>13,696,975</u>

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

Depreciation expense for the year ended June 30, 2017 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 99,944
Public safety	149,996
Public works	242,318
Culture and recreation	<u>57,842</u>
Total governmental activities	\$ 550,100
Business type activities	
Joint utility fund	\$ 428,974
Housing authority	<u>86,509</u>
Total governmental activities	<u>\$ 515,483</u>

**NOTE 8 – LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance			Balance	Amount
	June 30, 2016	Increases	Decreases	June 30, 2017	due within
					one year
Governmental funds debt					
Compensated absences	\$ 41,688	68,124	(54,048)	55,764	44,611
Revenues bonds payable	290,000	-	(7,000)	283,000	3,000
Notes payable	<u>434,431</u>	-	<u>(89,772)</u>	<u>344,659</u>	<u>94,958</u>
Total governmental activities	\$ <u>766,119</u>	<u>68,124</u>	<u>(150,820)</u>	<u>683,423</u>	<u>142,569</u>
Business-type funds debt					
Compensated absences	\$ 40,768	33,976	(32,961)	41,783	33,426
Notes payable	<u>1,314,101</u>	<u>116,071</u>	<u>(103,688)</u>	<u>1,326,484</u>	<u>122,694</u>
Total business-type activities	\$ <u>1,354,869</u>	<u>150,047</u>	<u>(136,649)</u>	<u>1,368,267</u>	<u>156,120</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 2017.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2017 are as follows.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Governmental activities**

Revenue Bonds

Bonds payable for governmental funds at June 30, 2017 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, 2017, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2000	3,380	5,380
2023-2027	10000	15,790	25,790
2028-2032	10000	13,980	23,980
2033-2037	13000	12,060	25,060
2038-2042	15000	9,450	24,450
2043-2047	19000	6,500	25,500
2048-2052	24000	2,620	26,620
Total	\$ <u>98,000</u>	<u>77,790</u>	<u>175,790</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.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

The annual requirements to amortize the 2011B Bond Issue outstanding as of June 30, 2017, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,000	6,600	8,600
2019	2,000	6,540	8,540
2020	2,000	6,460	8,460
2021	2,000	6,400	8,400
2022	2,000	6,320	8,320
2023-2027	20,000	29,800	49,800
2028-2032	20,000	26,300	46,300
2033-2037	21,000	22,800	43,800
2038-2042	30,000	18,330	48,330
2043-2047	32,000	13,050	45,050
2048-2052	52,000	6,650	58,650
Total	\$ <u>185,000</u>	<u>149,250</u>	<u>334,250</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 \$231,095 at June 30, 2017, and equal 9.6% of future state shared gross receipts tax at their current rate. During the year ended June 30, 2017, the City collected \$803,985 in pledged revenues, and retired \$76,917 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>
2018	\$ 75,000	5,461	80,461
2019	75,000	3,751	78,751
2020	70,000	1,883	71,883
Total	\$ <u>220,000</u>	<u>11,095</u>	<u>231,095</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 \$134,069 at June 30, 2017, and equal 19.5% of future fire protection grant funds at their current rate. During the year ended June 30, 2017, the City collected \$114,597 in pledged revenues, and retired \$22,345 in principal and interest on the

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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>
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	21,312	1,033	22,345
2023-2027	<u>21,795</u>	<u>549</u>	<u>22,344</u>
Total	<u>\$ 124,659</u>	<u>9,410</u>	<u>134,069</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	21,312	1,033	22,345
2023-2027	<u>21,795</u>	<u>549</u>	<u>22,344</u>
Total	<u>\$ 344,659</u>	<u>20,505</u>	<u>365,164</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 \$53,128 at June 30, 2017, and equal 00.8% of future water utility revenues at their current rate. During the year ended June 30, 2017, the City collected \$639,442 in pledged revenues, and retired \$4,427 in principal and interest on the aforementioned note.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,604	251	8,855
2019	4,318	109	4,427
2020	4,329	98	4,427
2021	4,340	88	4,428
2022	4,351	77	4,428
2023-2027	21,917	220	22,137
2028-2032	4,416	11	4,427
Total	<u>\$ 52,275</u>	<u>854</u>	<u>53,129</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 \$166,541 at June 30, 2017, and equal 1.4% of future water utility revenues at their current rate. During the year ended June 30, 2017, the City collected \$639,442 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>
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	9,224	351	9,575
2023-2027	46,467	1,410	47,877
2028-2032	47,051	827	47,878
2033-2037	22,673	238	22,911
Total	<u>\$ 162,081</u>	<u>4,460</u>	<u>166,541</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 \$35,940 at June 30, 2017, and equal 8.0% of future estimated net revenues at their current rate. During the year ended June 30, 2017, the City collected \$447,542 in pledged revenues, and retired \$34,979 in principal and interest on the aforementioned note.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	34,921	1,019	35,940
Total	\$	<u>34,921</u>	<u>1,019</u>	<u>35,940</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 \$62,487 at June 30, 2017, and equal 0.8% of future water utility revenues at their current rate. During the year ended June 30, 2017, the City collected \$447,542 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>
2018	\$	3,676	-	3,676
2019		3,676	-	3,676
2020		3,676	-	3,676
2021		3,676	-	3,676
2022		3,676	-	3,676
2023-2027		18,380	-	18,380
2028-2032		18,377	-	18,377
2033-2037		7,350	-	7,350
Total	\$	<u>62,487</u>	<u>-</u>	<u>62,487</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 \$33,150 at June 30, 2017, and equal 0.4% of future water utility revenues at their current rate. During the year ended June 30, 2017, the City collected \$447,542 in pledged revenues, and retired \$1,950 in principal and interest on the aforementioned note.



**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,950	-	1,950
2019	1,950	-	1,950
2020	1,950	-	1,950
2021	1,950	-	1,950
2022	1,950	-	1,950
2023-2027	9,750	-	9,750
2028-2032	9,750	-	9,750
2033-2037	3,900	-	3,900
Total	<u>\$ 33,150</u>	<u>-</u>	<u>33,150</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 \$63,888 at June 30, 2017, and equal 0.8% of future waste water utility revenues at their current rate. During the year ended June 30, 2017, the City collected \$447,542 in pledged revenues, and retired \$3,550 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>
2018	\$ 3,550	-	3,550
2019	3,550	-	3,550
2020	3,550	-	3,550
2021	3,550	-	3,550
2022	3,550	-	3,550
2023-2027	17,745	-	17,745
2028-2032	17,745	-	17,745
2033-2037	10,648	-	10,648
Total	<u>\$ 63,888</u>	<u>-</u>	<u>63,888</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 rights-of-way. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$837,954 at June 30, 2017, and equal 6.9% of future water utility revenues at their current rate. During the year ended June 30, 2017, the City collected \$639,442 in pledged revenues, and retired \$10,524 in principal and interest on the aforementioned note.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 39,613	4,460	44,073
2019	39,903	4,171	44,074
2020	40,258	3,816	44,074
2021	40,668	3,405	44,073
2022	41,144	2,929	44,073
2023-2027	214,502	5,968	220,470
2028-2032	219,083	1,538	220,621
2033-2037	176,056	440	176,496
Total	<u>\$ 811,227</u>	<u>26,727</u>	<u>837,954</u>

**NMFA – Solid Waste Truck**

On January 6, 2017, the City borrowed \$116,071 from the New Mexico Finance Authority. The note matures on June 1, 2022, and carries a 0.001% interest rate. The proceeds of the loan were used for the purchase of a solid waste truck. The payments of principal and interest are paid from pledged net revenues of the City's water utility system. The revenues pledged totaled \$106,774 at June 30, 2017, and equal 64.1% of future municipal environmental services gross receipts taxes at their current rate. During the year ended June 30, 2017, the City collected \$33,293 in pledged revenues, and retired \$10,524 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>
2018	\$ 21,248	106	21,354
2019	21,270	85	21,355
2020	21,291	64	21,355
2021	21,312	43	21,355
2022	21,334	21	21,355
Total	<u>\$ 106,455</u>	<u>319</u>	<u>106,774</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 122,694	6,279	128,973
2019	83,822	4,785	88,607
2020	84,232	4,375	88,607
2021	84,697	3,910	88,607
2022	85,229	3,378	88,607
2023-2027	328,761	7,598	336,359
2028-2032	316,422	2,376	318,798
2033-2037	220,627	678	221,305
Total	<u>\$ 1,326,484</u>	<u>33,379</u>	<u>1,359,863</u>

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**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.

	<b>Water Dept</b>	<b>Wastewater Dept</b>
<b>CONDENSED STATEMENT OF NET POSITION</b>		
Assets:		
Current assets	\$ 2,509,144	179,555
Capital assets	<u>8,477,843</u>	<u>2,505,811</u>
Total assets	<u>10,986,987</u>	<u>2,685,366</u>
Deferred outflows of resources	41,969	61,937
Liabilities		
Noncurrent liabilities	<u>1,210,653</u>	<u>283,049</u>
Total liabilities	<u>1,210,653</u>	<u>283,049</u>
Deferred inflows of resources	4,963	7,324
Net position		
Net investment in capital assets	7,389,773	2,408,773
Unrestricted	<u>2,423,567</u>	<u>48,157</u>
Total net position	<u>\$ 9,813,340</u>	<u>2,456,930</u>

<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>		
Operating revenues (pledged against debt)	\$ 651,714	522,839
Depreciation expense	(301,389)	(91,933)
Other operating expenses	<u>(664,703)</u>	<u>(541,654)</u>
Operating income	(314,378)	(110,748)
Nonoperating revenues (expenses):		
Taxes	76,762	-
Investment income	5,706	1
Transfers in	78,362	6,600
Transfers out	<u>(124,768)</u>	<u>(156,153)</u>
Change in net position	(278,316)	(260,300)
Beginning net position	<u>10,091,656</u>	<u>2,717,230</u>
Ending net position	<u>\$ 9,813,340</u>	<u>2,456,930</u>

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:		
Operating activities	\$ 35,117	199,595
Noncapital financing activities	15,176	(149,553)
Capital and related financing activities	(96,314)	(33,996)
Investing activities	<u>105,706</u>	<u>1</u>
Net increase (decrease)	59,685	16,047
Beginning cash and cash equivalents	<u>-</u>	<u>98,324</u>
Ending cash and cash equivalents	<u>\$ 59,685</u>	<u>114,371</u>

**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, 2017 was as follows:

		<b>Transfers In</b>			<u>Total</u>
		<u>General</u>	<u>Non-Major Govern- mental</u>	<u>Joint Utility</u>	
General	\$ -	177,500	-	177,500	
Non-Major Governmental	8,000	355,869	94,218	458,087	
Joint Utility Fund	<u>77,100</u>	<u>129,472</u>	<u>200,852</u>	<u>407,424</u>	
Total	<u>\$ 85,100</u>	<u>662,841</u>	<u>295,070</u>	<u>1,043,011</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, 2017, 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, 2017 totaled \$206,431.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 12 – PERA PENSION PLAN**

**Plan description.** *Public Employees Retirement 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 Officers, 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. Eligibility for membership in the Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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 – Tier I** - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member’s final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors’ annuities are also available.

**TIER II** – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member’s age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Contributions.** See PERA’s compressive annual financial report for Contribution provided description

<b>PERA Contribution Rates and Pension Factors as of July 1, 2016</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The City’s proportion of the net pension liability was based on a projection of the City’s long-term

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

**For PERA Fund Division Municipal General:** At June 30, 2017, the City of Lordsburg reported a liability of \$1,163,099 for its proportionate share of the net pension liability. At June 30, 2016, the City of Lordsburg's proportion was 0.0728%, which was a decrease of 0.0047% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of (\$69,234). At June 30, 2017, the City of Lordsburg reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 58,113	11,352
Changes of assumptions	68,202	193
Net difference between projected and actual earnings on pension plan investments	214,008	-
Changes in proportion and differences between City contributions and proportionate share of contributions	13,166	37,135
City contributions subsequent to the measurement date	58,179	-
	\$ 411,668	48,680

\$58,179 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$	65,576
2018		65,576
2019		120,589
2020		53,068
2021		-
Thereafter	\$	-

**For PERA Fund Division Municipal Police:** At June 30, 2017, the City of Lordsburg reported a liability of \$1,329,569 for its proportionate share of the net pension liability. At June 30, 2016, the City of Lordsburg's proportion was 0.1802%, which was a decrease of 0.0034% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of (\$103,288). At June 30, 2017, the City of Lordsburg reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 97,610	-
Changes of assumptions	88,063	23,978
Net difference between projected and actual earnings on pension plan investments	210,279	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	63,476
City contributions subsequent to the measurement date	<u>77,892</u>	<u>-</u>
	<u>\$ 473,844</u>	<u>87,454</u>

\$77,892 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$	61,826
2018		61,826
2019		131,399
2020		53,447
2021		-
Thereafter	\$	-

**For PERA Fund Division Municipal General (Housing):** At June 30, 2017, the City of Lordsburg Housing Authority reported a liability of \$174,146 for its proportionate share of the net pension liability. At June 30, 2016, the City of Lordsburg Housing Authority's proportion was 0.0109%, which was a decrease of 0.0011% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Authority recognized pension expense of (\$8,415). At June 30, 2017, the City of Lordsburg Housing Authority reported 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	\$ 8,701	1,700
Changes of assumptions	10,212	29
Net difference between projected and actual earnings on pension plan investments	32,042	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	12,698
City contributions subsequent to the measurement date	<u>8,415</u>	<u>-</u>
	<u>\$ 59,370</u>	<u>14,427</u>



**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

\$8,415 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$ 6,125
2018	6,125
2019	16,426
2020	7,852
2021	-
Thereafter	\$ -

**Actuarial assumptions.** The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
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	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years 2.75% rate all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disable table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	<u>100.00%</u>	

**Discount rate.** A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

<b>PERA Fund Division - Municipal General - City</b>	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
City's proportionate share of the net pension liability	\$ 1,734,077	1,163,099	689,501
<b>PERA Fund Division - Municipal Police</b>	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
City's proportionate share of the net pension liability	\$ 1,956,126	1,329,569	817,118
<b>PERA Fund Division - Municipal General - Housing</b>	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
City Housing Authority proportionate share of the net pension liability	\$ 259,636	174,146	103,236

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**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>Ending June 30,</u>	<u>Amount</u>
2018	\$ 7,668
2019	2,805
2020	2,337
2021	-
2022	-
Total	<u>\$ 12,810</u>

Rental payments charged to current operations for the year ended June 30, 2017 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, 2017:

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
Road Projects Fund	Capital projects fund	(17,979)

Legal Compliance with Budget

The City did not have any funds that exceeded budget at the fund level as of June 30, 2017.

**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, 2017, 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.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. The total amounts spent as of June 30, 2017 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 19 – EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 13, 2017, the date which the financial statements were available to be issued.

**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>2017</u>	<u>2016</u>	<u>2015</u>
City of Lordsburg's proportion of the net pension liability (asset)	0.0728%	0.0775%	0.0752%
City of Lordsburg's proportionate share of the net pension liability (asset)	\$ 1,163,099	\$ 790,180	\$ 586,641
City of Lordsburg's covered-employee payroll	\$ 972,387	\$ 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	119.61%	71.22%	63.74%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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.

**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>2017</u>	<u>2016</u>	<u>2015</u>
Lordsburg Housing Authority's proportion of the net pension liability (asset)	0.0109%	0.0120%	0.0127%
Lordsburg Housing Authority's proportionate share of the net pension liability (asset) \$	174,146	122,350	99,074
Lordsburg Housing Authority's covered-employee payroll \$	169,951	166,348	145,418
Lordsburg Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	102.47%	73.55%	68.13%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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 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>2017</u>	<u>2016</u>	<u>2015</u>
City of Lordsburg's proportion of the net pension liability (asset)	0.1802%	0.1836%	0.2042%
City of Lordsburg's proportionate share of the net pension liability (asset)	\$ 1,329,569	\$ 882,852	\$ 665,670
City of Lordsburg's covered-employee payroll	\$ 678,412	\$ 636,106	\$ 421,217
City of Lordsburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	195.98%	138.79%	158.03%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 58,179	\$ 65,513	\$ 61,452
Contributions in relation to the contractually required contribution	<u>58,179</u>	<u>65,513</u>	<u>61,452</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	972,387	1,109,539	920,396
Contributions as a percentage of covered-employee payroll	5.98%	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>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 8,415	\$ 8,877	\$ 9,498
Contributions in relation to the contractually required contribution	<u>8,415</u>	<u>8,877</u>	<u>9,498</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
City Housing Authority's covered-employee payroll	169,951	166,348	145,418
Contributions as a percentage of covered-employee payroll	4.95%	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>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 77,892	62,646	68,003
Contributions in relation to the contractually required contribution	<u>77,892</u>	<u>62,646</u>	<u>68,003</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	421,217	421,217	421,217
Contributions as a percentage of covered-employee payroll	18.49%	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, 2017**

***Changes of benefit terms:*** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

***Assumptions:*** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

## **SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

**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-I).

**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.

**DRUG COURT** - To account for the fiscal administrator activity for the drug court.

**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.

**WASTE FUND PROJECT** - To account for the construction of the water treatment plant and waterline improvements.

**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, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 262,341	334,223	276,781	873,345
Investments	470,000	-	-	470,000
Receivables				
Accounts receivable	-	-	-	-
Taxes receivable	57,570	-	-	57,570
Total assets	<u>789,911</u>	<u>334,223</u>	<u>276,781</u>	<u>1,400,915</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources				
	<u>\$ 789,911</u>	<u>334,223</u>	<u>276,781</u>	<u>1,400,915</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other fund	-	1,071	-	1,071
Total liabilities	<u>-</u>	<u>1,071</u>	<u>-</u>	<u>1,071</u>
Deferred Inflows of Resources:				
"Unavailable" revenues	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	691,787	333,152	276,781	1,301,720
Committed	98,124	-	-	98,124
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>789,911</u>	<u>333,152</u>	<u>276,781</u>	<u>1,399,844</u>
Total liabilities, deferred inflows of resources and fund balances:				
	<u>\$ 789,911</u>	<u>334,223</u>	<u>276,781</u>	<u>1,400,915</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, 2017**

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Totals
Revenues:				
Taxes				
Gross receipts	\$ 227,824	-	-	227,824
Other	221,304	-	-	221,304
Licenses and permits	4,615	-	-	4,615
Charges for services	79,256	-	-	79,256
Intergovernmental revenue				
Federal grants	-	-	-	-
State grants	139,997	-	-	139,997
Interest income	64	-	1,218	1,282
Miscellaneous income	2,578	9,490	-	12,068
Total revenues	<u>675,638</u>	<u>9,490</u>	<u>1,218</u>	<u>686,346</u>
Expenditures:				
Current:				
Public safety	131,494	-	-	131,494
Public works	153,140	-	-	153,140
Culture and recreation	520,636	-	-	520,636
Health and welfare	23,451	-	-	23,451
Capital outlay	69,767	-	-	69,767
Debt service				
Principal	19,772	1,000	76,000	96,772
Interest	2,573	22,734	4,774	30,081
Total expenditures	<u>920,833</u>	<u>23,734</u>	<u>80,774</u>	<u>1,025,341</u>
Excess (deficiency) of revenues over (under) expenditures	(245,195)	(14,244)	(79,556)	(338,995)
Other financing sources (uses):				
Transfers in	334,869	22,524	93,729	451,122
Transfers out	(363,869)	-	-	(363,869)
Total other financing sources (uses):	<u>(29,000)</u>	<u>22,524</u>	<u>93,729</u>	<u>87,253</u>
Net change in fund balances	(274,195)	8,280	14,173	(251,742)
Beginning fund balance	<u>1,064,106</u>	<u>324,872</u>	<u>262,608</u>	<u>1,651,586</u>
Ending fund balance	<u>\$ 789,911</u>	<u>333,152</u>	<u>276,781</u>	<u>1,399,844</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, 2017**

	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Cor- rections Fund</u>	<u>Law Enforce- ment Fund</u>	<u>Ceme- tery Fund</u>	<u>Lodgers' Tax</u>	<u>Rec- reation Fund</u>	<u>Special Events Center</u>	<u>Drug Court</u>	<u>Total</u>
Assets and deferred inflows of resources:										
Assets:										
Cash and cash equivalents	\$ 5,930	16,940	62,020	253	29,340	12,057	34,352	98,124	3,325	262,341
Investments	200,000	-	-	-	-	270,000	-	-	-	470,000
Receivables										
Taxes receivable	39,087	-	-	-	-	18,483	-	-	-	57,570
Total assets	<u>245,017</u>	<u>16,940</u>	<u>62,020</u>	<u>253</u>	<u>29,340</u>	<u>300,540</u>	<u>34,352</u>	<u>98,124</u>	<u>3,325</u>	<u>789,911</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>	<u>-</u>
Total assests and deferred outflows of resources	<u>\$ 245,017</u>	<u>16,940</u>	<u>62,020</u>	<u>253</u>	<u>29,340</u>	<u>300,540</u>	<u>34,352</u>	<u>98,124</u>	<u>3,325</u>	<u>789,911</u>
Liabilities, deferred inflows of resources and fund balances:										
Liabilities:										
Accounts payable	\$ -	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:										
"Unavailable" revenues	-	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	245,017	16,940	62,020	253	29,340	300,540	34,352	-	3,325	691,787
Committed	-	-	-	-	-	-	-	98,124	-	98,124
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>245,017</u>	<u>16,940</u>	<u>62,020</u>	<u>253</u>	<u>29,340</u>	<u>300,540</u>	<u>34,352</u>	<u>98,124</u>	<u>3,325</u>	<u>789,911</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 245,017</u>	<u>16,940</u>	<u>62,020</u>	<u>253</u>	<u>29,340</u>	<u>300,540</u>	<u>34,352</u>	<u>98,124</u>	<u>3,325</u>	<u>789,911</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, 2017**

	<u>CDBG Funds</u>	<u>2007-2008 Co- Op</u>	<u>Waste Water Reuse Fund</u>	<u>Water Project Fund</u>	<u>Totals</u>
Assets and deferred inflows of resources:					
Assets:					
Cash and cash equivalents	\$ 47,493	34,081	252,589	60	334,223
Total assets	<u>47,493</u>	<u>34,081</u>	<u>252,589</u>	<u>60</u>	<u>334,223</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>\$ 47,493</u>	<u>34,081</u>	<u>252,589</u>	<u>60</u>	<u>334,223</u>
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Due to other fund	\$ 1,071	-	-	-	1,071
Total liabilities	<u>1,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071</u>
Deferred Inflows of Resources:					
"Unavailable" revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	46,422	34,081	252,589	60	333,152
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>46,422</u>	<u>34,081</u>	<u>252,589</u>	<u>60</u>	<u>333,152</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 47,493</u>	<u>34,081</u>	<u>252,589</u>	<u>60</u>	<u>334,223</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, 2017**

	<u>Debt Service Fund</u>	<u>Debt Service Fund - NMFA</u>	<u>Totals</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 270,320	6,461	276,781
Total assets	<u>270,320</u>	<u>6,461</u>	<u>276,781</u>
Deferred Outflows of Resources:			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 270,320</u>	<u>6,461</u>	<u>276,781</u>
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Total liabilities	\$ <u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:			
"Unavailable" revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	270,320	6,461	276,781
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>270,320</u>	<u>6,461</u>	<u>276,781</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 270,320</u>	<u>6,461</u>	<u>276,781</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 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2017**

	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Cor-rections Fund</u>	<u>Law Enforcement Fund</u>	<u>Ceme-tery Fund</u>	<u>Lodgers' Tax</u>	<u>Rec-reation Fund</u>	<u>Special Events Center</u>	<u>Drug Court</u>	<u>Total</u>
Revenues:										
Taxes										
Gross receipts	\$ 227,824	-	-	-	-	-	-	-	-	227,824
Other	-	-	-	-	-	221,304	-	-	-	221,304
Licenses and permits	-	-	-	-	4,615	-	-	-	-	4,615
Charges for services	-	-	49,633	-	10,297	-	9,042	5,654	4,630	79,256
Intergovernmental revenue										
State grants	-	114,597	-	25,400	-	-	-	-	-	139,997
Interest income	-	64	-	-	-	-	-	-	-	64
Miscellaneous income	-	731	-	1,797	-	-	-	50	-	2,578
Total revenues	<u>227,824</u>	<u>115,392</u>	<u>49,633</u>	<u>27,197</u>	<u>14,912</u>	<u>221,304</u>	<u>9,042</u>	<u>5,704</u>	<u>4,630</u>	<u>675,638</u>
Expenditures:										
Current:										
Public safety	-	52,852	38,099	40,543	-	-	-	-	-	131,494
Public works	153,140	-	-	-	-	-	-	-	-	153,140
Culture and recreation	-	-	-	-	-	450,836	54,076	14,419	1,305	520,636
Health and welfare	-	-	-	-	23,451	-	-	-	-	23,451
Capital outlay	20,800	48,662	-	-	-	-	305	-	-	69,767
Debt service										
Principal	-	19,772	-	-	-	-	-	-	-	19,772
Interest	-	2,573	-	-	-	-	-	-	-	2,573
Total expenditures	<u>173,940</u>	<u>123,859</u>	<u>38,099</u>	<u>40,543</u>	<u>23,451</u>	<u>450,836</u>	<u>54,381</u>	<u>14,419</u>	<u>1,305</u>	<u>920,833</u>
Excess (deficiency) of revenues over (under) expenditures	53,884	(8,467)	11,534	(13,346)	(8,539)	(229,532)	(45,339)	(8,715)	3,325	(245,195)
Other financing sources (uses):										
Transfers in	-	-	-	-	6,000	274,869	30,000	24,000	-	334,869
Transfers out	(5,000)	-	-	-	-	(355,869)	(1,000)	(2,000)	-	(363,869)
Total other financing sources (uses):	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>(81,000)</u>	<u>29,000</u>	<u>22,000</u>	<u>-</u>	<u>(29,000)</u>
Net change in fund balances	48,884	(8,467)	11,534	(13,346)	(2,539)	(310,532)	(16,339)	13,285	3,325	(274,195)
Beginning 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>-</u>	<u>1,064,106</u>
Ending fund balance	<u>\$ 245,017</u>	<u>16,940</u>	<u>62,020</u>	<u>253</u>	<u>29,340</u>	<u>300,540</u>	<u>34,352</u>	<u>98,124</u>	<u>3,325</u>	<u>789,911</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, 2017**

	<u>CDBG Funds</u>	<u>2007-2008 Co-Op</u>	<u>Waste Water Reuse Fund</u>	<u>Water Project Fund</u>	<u>Totals</u>
Revenues:					
Miscellaneous income	\$ 9,490	-	-	-	9,490
Total revenues	<u>9,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,490</u>
Expenditures:					
Current:					
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	1,000	-	1,000
Interest	<u>-</u>	<u>-</u>	<u>22,734</u>	<u>-</u>	<u>22,734</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>23,734</u>	<u>-</u>	<u>23,734</u>
Excess (deficiency) of revenues over (under) expenditures	9,490	-	(23,734)	-	(14,244)
Other financing sources (uses):					
Transfers in	-	-	22,524	-	22,524
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>22,524</u>	<u>-</u>	<u>22,524</u>
Net change in fund balances	9,490	-	(1,210)	-	8,280
Beginning fund balance	<u>36,932</u>	<u>34,081</u>	<u>253,799</u>	<u>60</u>	<u>324,872</u>
Ending fund balance	<u>\$ 46,422</u>	<u>34,081</u>	<u>252,589</u>	<u>60</u>	<u>333,152</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 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2017**

	<u>Debt Service Fund</u>	<u>Debt Service Fund - NMFA</u>	<u>Totals</u>
Revenues:			
Interest income	\$ 1,218	-	1,218
Miscellaneous income	-	-	-
Total revenues	<u>1,218</u>	<u>-</u>	<u>1,218</u>
Expenditures:			
Current:			
Debt service			
Principal	70,000	6,000	76,000
Interest	4,506	268	4,774
Total expenditures	<u>74,506</u>	<u>6,268</u>	<u>80,774</u>
Excess (deficiency) of revenues over (under) expenditures	(73,288)	(6,268)	(79,556)
Other financing sources (uses):			
Transfers in	81,000	12,729	93,729
Transfers out	-	-	-
Total other financing sources (uses):	<u>81,000</u>	<u>12,729</u>	<u>93,729</u>
Net change in fund balances	7,712	6,461	14,173
Beginning fund balance	<u>262,608</u>	<u>-</u>	<u>262,608</u>
Ending fund balance	<u>\$ 270,320</u>	<u>6,461</u>	<u>276,781</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, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Federal Awards Expended	Payments to Sub- recipients
<b>U.S. Department of Homeland Security</b>				
Passed through NM Department of Homeland Security and Hidalgo County				
		EMW-2016-SS-00152-801 -		
Homeland Security Grant Program	97.067	Hidalgo County	144,825	-
Emergency Management Performance Grants	97.042	Unknown	17,318	-
<b>U.S. Department of Transportation</b>				
Passed through NM Department of Transportation				
Airport Improvement Program	20.106	3-35-0026-015-2015	53,420	-
Highway Planning and Construction	20.205	COOP CN 1101090	1,062	-
National Priority Safety Programs	20.616	Unknown	20,347	-
<b>Department of Housing and Urban Development</b>				
Public Housing Capital Fund	14.872	NM02P034501-13	253,101	-
Public and Indian Housing	14.850	NM034-00000114D	441,047	-
Total			\$ 931,120	-

\* 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. 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 - Sub-recipients**

The City did not provide any federal awards to sub-recipients during the year.

**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 10% indirect cost rate.

**Note 4 - Federally Funded Insurance**

The City has no federally funded insurance.

**Note 5 - Reconciliation to financial statements**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 931,120
Total expenditures funded by other sources	7,552,929
Total expenditures of governmental and proprietary funds	\$ 8,484,049

See independent auditor's report.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF FUND BALANCES  
As of June 30, 2017**

	<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	-	-	34,352	34,352
Economic development efforts			300,540	300,540
Various capital project efforts	-	-	333,152	333,152
Road improvements	-	-	245,017	245,017
Debt service requirements	-	-	276,781	276,781
Fire fighting efforts/equipment	-	-	16,940	16,940
Public safety and law enforcement efforts	-	-	65,598	65,598
Operate/maintain cemetery	-	-	29,340	29,340
Subtotal restricted funds	-	-	1,301,720	1,301,720
Committed to:				
Operate/maintain recreational facilities	-	-	98,124	98,124
DFA required reserves	298,193	-	-	298,193
Subtotal committed funds	298,193	-	98,124	396,317
Assigned to:				
Subtotal assigned funds	-	-	-	-
Unassigned	1,190,588	(17,979)	-	1,172,609
	\$ 1,488,781	(17,979)	1,399,844	2,870,646

See independent auditor's report.



**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF DEPOSITORIES  
As of June 30, 2017**

<u>Account name</u>	<u>Type</u>	<u>Western Bank</u>	<u>NMFA</u>	<u>Plus Deposits in</u> <u>Transit</u>	<u>Less O/S Checks</u>	<u>Balance Per</u> <u>Books</u>
General operating	CK*	600,015	-	-	(329,392)	270,623
Solid waste reserve	CK*	985	-	-	-	985
Bond account	CK*	454	-	-	-	454
CDBG 2009 water impr	CK*	9,594	-	-	-	9,594
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*	10,610	-	-	-	10,610
Debt service	CK*	262,427	-	-	-	262,427
CFP Account	CK	6,967	-	-	-	6,967
General account	CK*	23,324	-	-	(2,952)	20,372
Tenant security deposits	CK	19,930	-	-	-	19,930
City Overnight account	MMKT	773,709	-	-	(22)	773,687
Housing Overnight account	MMKT	7,126	-	-	-	7,126
City CDs	CD	4,763,986	-	-	-	4,763,986
Housing CDs	CDs	135,354	-	-	-	135,354
NMFA Debt service reserves	CK*	-	128,237	-	-	128,237
Total cash and equivalent		<u>6,663,214</u>	<u>128,237</u>	<u>-</u>	<u>(332,366)</u>	<u>6,459,085</u>
Total amount on deposit		6,663,214	128,237	-	(332,366)	6,459,085
FDIC coverage		(250,000)	(250,000)			
Total uninsured public funds		<u>6,413,214</u>	<u>(121,763)</u>			
50% collateral requirement (Section 6-10-17 NMSA-1978)		3,206,607	-			
Pledge security		4,189,783	-			
See NMFA audited financials						
Amount (over)/under collateralized		<u>(983,176)</u>	<u>-</u>			

\* denotes interest bearing account

STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY  
As of June 30, 2017

Cusip ID	Description/ Maturity	Coupon	S&P Rating	Pledged Percent	Pledged		
					Par	Market Value	
<b>Western Bank - For City of Lordsburg</b>							
<i>Safekeeping Location - FHLB: Fed Home Loan Bank</i>							
077571CM7	BELEN N MEX GROSS RCPTS TAX REV IMPT 6/1/2021	4.50	AA	100%	\$ 390,000	402,823	
189414HN8	CLOVIS N MEX SCHOOL DISTRICT SERIES 2011 8/1/2025	3.70	N/A	100%	500,000	535,240	
297326EG1	ESTANCIA N MEX SCHOOL DISTRICT GO BONDS SERIES 2010 6/15/2022	3.50	N/A	100%	50,000	56,345	
31346VH28	FHLMC ARM Pool 7/1/2030			100%	153,225	151,163	
31392FPP6	FNMA 2002-74 PE 3/15/2023			100%	5,013	5,012	
362550KR5	GADSDEN N MEX INDPT SCH DIST NO 016 SCH BLDG-SER A 8/15/2023	3.75	N/A	100%	350,000	350,945	
429308DF3	HIDALGO CNTY N MEX MUN SCH DIST NO 001 10/1/2016	4.00	N/A	100%	120,000	120,284	
429308DG1	HIDALGO CNTY N MEX MUN SCH DIST NO 001 10/1/2018	4.10	N/A	100%	120,000	120,281	
545562QX1	LOS LUNAS SCHOOL DISTRICT GO BONDS 7/15/2023	2.70	N/A	100%	675,000	715,649	
581615DJ7	MC KINLEY CNTY N MEX GROSS RCPTS TAX REV IMPT 6/1/2023	4.00	N/A	100%	340,000	365,840	
801889LT1	SANTA FE CNTY N MEX 7/1/2021	4.00	AA	100%	250,000	264,628	
82750PAL8	SILVER CITY, N MEX GROSS RECEIPTS TAX IMPR SERIES 2011A 6/1/2022	3.25	AA+	100%	250,000	266,375	
833679CC5	SOCORRO CNTY NM 8/1/2025	2.50	A+	100%	380,000	384,469	
<b>Western Bank - For Lordsburg Housing Authority</b>							
<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	450,729	
					\$	<u>4,033,238</u>	<u>4,189,783</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, 2017**

**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, 2017**

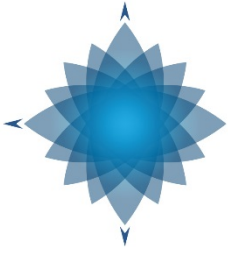
<u>Line Item</u>	<u>Description</u>	<u>Low Rent 14.850</u>	<u>CFP 14.872</u>	<u>Total</u>
111	Cash-unrestricted	\$ 34,465	-	34,465
114	Cash-tenant security deposits	19,930	-	19,930
100	Total cash	<u>54,395</u>	-	<u>54,395</u>
122	Accounts receivable - HUD other projects	411,146	-	411,146
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable - tenants	3,621	-	3,621
126.1	Allowance for doubtful accounts – tenants	-	-	-
120	Total receivables, net of allowance for doubtful accounts	<u>414,767</u>	-	<u>414,767</u>
131	Investments - Unrestricted	135,354	-	135,354
144	Inter-Program due from	-	20,909	20,909
150	Total current assets	<u>604,516</u>	<u>20,909</u>	<u>625,425</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>(3,424,682)</u>	-	<u>(3,424,682)</u>
160	Total capital assets, net of a/d	<u>1,773,504</u>	-	<u>1,773,504</u>
190	Total Assets	<u>2,378,020</u>	<u>20,909</u>	<u>2,398,929</u>
200	Deferred outflows of resources	<u>59,370</u>	-	<u>59,370</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 2,437,390</u>	<u>20,909</u>	<u>2,458,299</u>
312	Accounts payable <= 90 days	\$ 10,711	-	10,711
321	Accrued wage/payroll taxes payable	-	-	-
322	Accrued compensated absences - current portion	4,163	-	4,163
333	Accounts payable - other government	20,010	-	20,010
341	Tenant security deposits	14,400	-	14,400
347	Inter-program due to	20,909	-	20,909
310	Total current liabilities	<u>70,193</u>	-	<u>70,193</u>
354	Accrued compensated absences - non-current	2,619	-	2,619
357	Accrued Pension and OPEB Liabilities	174,146	-	174,146
300	Total liabilities	<u>246,958</u>	-	<u>246,958</u>
400	Deferred Inflows of Resources	<u>14,427</u>	-	<u>14,427</u>
508.1	Invested in capital assets, net of related debt	1,773,504	-	1,773,504
511.4	Restricted net position	19,930	20,909	40,839
512.4	Unrestricted net position	382,571	-	382,571
513	Total equity- net position	<u>2,176,005</u>	<u>20,909</u>	<u>2,196,914</u>
600	Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,437,390</u>	<u>20,909</u>	<u>2,458,299</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, 2017**

<b>Line Item</b>	<b>Description</b>	<b>Low Rent 14.850</b>	<b>CFP 14.872</b>	<b>Total</b>
70300	Net tenant rental revenue	\$ 202,614	-	202,614
70500	Total tenant revenue	<u>202,614</u>	-	<u>202,614</u>
70600	HUD PHA operating grants	278,227	-	278,227
70610	Capital grants	-	253,101	253,101
71100	Investment income - unrestricted	18	-	18
71500	Other revenue	1,741	-	1,741
70000	Total revenue	<u>482,600</u>	<u>253,101</u>	<u>735,701</u>
91100	Administrative salaries	63,360	-	63,360
91200	Auditing fees	4,000	-	4,000
91500	Employee benefit contributions - administrative	51,236	-	51,236
91900	Other	48,811	-	48,811
91000	Total operating – administrative	<u>167,407</u>	-	<u>167,407</u>
93100	Water	71,155	-	71,155
93200	Electricity	6,951	-	6,951
93300	Gas	48,983	-	48,983
93600	Sewer	27,876	-	27,876
93800	Other utilities expense	14,544	-	14,544
93000	Total utilities	<u>169,509</u>	-	<u>169,509</u>
94100	Ordinary maintenance and operations - labor	89,011	-	89,011
94200	Ordinary maintenance and operations-materials	27,388	253,101	280,489
94300	Ordinary maintenance and operations contracts	53,039	-	53,039
94000	Total maintenance and operations	<u>169,438</u>	<u>253,101</u>	<u>422,539</u>
96140	All other insurance	41,260	-	41,260
96100	Total insurance premium	<u>41,260</u>	-	<u>41,260</u>
96200	Other general expenses	9,540	-	9,540
96900	Total operating expenses	<u>557,154</u>	<u>253,101</u>	<u>810,255</u>
97000	Excess revenues over operating expenses	(74,554)	-	(74,554)
97400	Depreciation expense	86,509	-	86,509
90000	Total expenses	<u>643,663</u>	<u>253,101</u>	<u>896,764</u>
100.1	Operating transfers in	-	-	-
100.2	Operating transfers out	-	-	-
101	Total other financing sources (uses)	-	-	-
10000	Excess (deficiency) of revenues over (under) expenses	(161,063)	-	(161,063)
11030	Beginning net position	2,337,068	20,909	2,357,977
11040-10	Prior Period Adjustments	-	-	-
	Net position at end of year	<u>\$ 2,176,005</u>	<u>20,909</u>	<u>2,196,914</u>

See independent auditor's report.



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

**Independent Auditor's Report**

Wayne Johnson,  
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, 2017, 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 13, 2017.

**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 and therefore, material weaknesses or significant deficiencies may

exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2017-001.

### **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*.

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

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

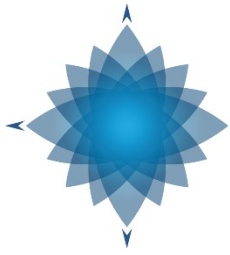
### **Purpose of this Report**

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

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC  
Albuquerque, NM

December 13, 2017



**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**

Wayne Johnson,  
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 of Lordsburg, State of New Mexico'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, 2017. 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.



## Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the City of Lordsburg, State of New Mexico, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC  
Albuquerque, NM

December 13, 2017

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION I      SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 1. Internal control over financial reporting:                                    |            |
| a. Material weakness identified?   | Yes        |
| b. Significant deficiencies identified not considered to be material weaknesses? | 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?   | No                        |  |               |                        |        |                           |  |
| b. Significant deficiencies identified not considered to be material weaknesses?   | No                        |  |               |                        |        |                           |  |
| 2. Type of auditors' report issued on compliance for major programs  | Unmodified                |  |               |                        |        |                           |  |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance?  | No                        |  |               |                        |        |                           |  |
| 4. Identification of major programs:   |                           |  |               |                        |        |                           |  |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>CFDA</u></td> <td style="width: 50%;"></td> </tr> <tr> <td style="text-align: center;"><u>Number</u></td> <td style="text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">14.850</td> <td style="text-align: center;">Public and Indian Housing</td> </tr> </table> | <u>CFDA</u>               |  | <u>Number</u> | <u>Federal Program</u> | 14.850 | Public and Indian Housing |  |
| <u>CFDA</u>  |                           |  |               |                        |        |                           |  |
| <u>Number</u>  | <u>Federal Program</u>    |  |               |                        |        |                           |  |
| 14.850   | Public and Indian Housing |  |               |                        |        |                           |  |
| 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, 2017**

**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>
<b>Prior Year Findings</b>			
2015-001 Tenent Files	Resolved	No	Yes
<b>Current Year Findings</b>			
2017-001 Maintenance of Housing General Ledger	Current	Yes	No

**FINANCIAL STATEMENT FINDINGS**

**PRIOR YEAR FINDINGS**

**None**

**CURRENT YEAR FINANCIAL STATEMENT FINDINGS**

**2017-001 – MAINTENANCE OF HOUSING GENERAL LEDGER – Material weakness**

**Statement of Condition**

While performing work at the City’s Housing Authority, it was noted that the Authority was not maintaining its general ledger in a timely manner. The Authority’s fee accountant was several months behind in making entries and adjustments to the general ledger. Based on a trial balance obtained at the time of fieldwork on October 5, 2017 and a second trial balance obtained in late-November 2017 once the Authority’s balances had been finalized by the fee accountant, a total of \$372,178.17 additional expenses and \$323,027.62 in additional revenues were added to the Authority’s general ledger after the initial trial balance was obtained.

**Criteria**

Monthly maintenance of the Authority’s trial balance in accordance with generally accepted accounting principles (GAAP) helps ensure that timely, accurate, and useful information is available to management and those charged with governance. To provide accurate financial reports, general ledger accounts should be maintained and reconciled timely.

**Effect**

The Authority and those charged with governance are limited in their ability to make decisions using current financial data due to the untimely entry of material transactions into the general ledger.

**Cause**

The Authority relied on its fee accountant for significant assistance in maintaining the general ledger. Due to significant external events, the accountant was not able to maintain the general ledger in a timely manner.

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Recommendation**

We recommend that the Authority examine its current process and discuss with the external fee accountant how the entity's books and records could be maintained in a timely manner.

**Response**

The Housing Authority is at present taking steps to resolve this finding. We recently hired an administrative assistant who will be responsible for making daily entries to the general ledger. The Executive Director will reconcile and make adjustments on a monthly basis in addition to the contracted Fee Accountant. These steps will help keep financial records current and accurate. In January the staff will be retrained on Quick books software. The Housing Authority will also be seeking a new Fee Accountant. This finding should be resolved no later than February 2018. The Chairman Arthur Clark Smith will be monitoring this timeline to ensure the Housing Authority can eliminate this finding.

**FEDERAL AWARD FINDINGS**

**PRIOR YEAR FINDINGS**

**All Resolved**

**CURRENT YEAR FEDERAL AWARD FINDINGS**

**None**

**STATE OF NEW MEXICO  
CITY OF LORDSBURG  
OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2017**

**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 December 13, 2017. The following individuals were in attendance.

City of Lordsburg Officials

Arthur Clark Smith	Mayor – City of Lordsburg
Alfredo Morelos	Mayor Pro-Tem
Glenda Greene	City Councilor
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
Jela Basista, CPA	Staff Auditor