

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019



INTRODUCTORY SECTION

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CITY OF LORDSBURG
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CITY OF LORDSBURG
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**STATE OF NEW MEXICO
CITY OF LORDSBURG
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2019**

City of Lordsburg

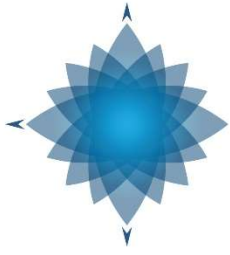
<u>Elected Officials</u>	<u>Title</u>
Robert Barrera	Mayor
Eddie Lopez	Mayor Pro-Tem
Irene Galvan	Councilor
Ernest Gallegos, Sr.	Councilor
Susie Cole	Councilor
Rodney Plowman	Councilor
Roxann Randall	Councilor

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

City of Lordsburg Public Housing Authority

<u>Board of Commissioners</u>	<u>Title</u>
Robert Barrera	Chairman
Eddie Lopez	Vice Chairman
Irene Galvan	Commissioner
Ernest Gallegos, Sr.	Commissioner
Susie Cole	Commissioner
Rodney Plowman	Commissioner
Roxann Randall	Commissioner

FINANCIAL SECTION



Independent Auditor's Report

Brian S. Colón
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, 2019, 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, , the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Lordsburg, New Mexico,, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof 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 50-56 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 financial statements, that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, and the schedule of changes in assets and liabilities - agency funds, 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*, the financial data schedule required by the U.S. Department of Housing and Urban Development, the schedule of Revenues and Expenses- Aging Programs, and the other schedules listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, and the schedule of changes in assets and liabilities - agency funds, the Schedule of Expenditures of Federal Awards, the financial data schedule, and other schedules listed as "other supplementary information" in the table of contents, 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 12, 2019 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 12, 2019

**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF NET POSITION
As of June 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 1,124,093	367,338	1,491,431
Investments	1,583,692	152,185	1,735,877
Receivables			
Accounts receivable	35,841	343,562	379,403
Taxes receivable	381,033	2,438	383,471
Other receivables	57,955	142,430	200,385
Due from other governments	-	372,938	372,938
Other assets	-	-	-
Total current assets	<u>3,182,614</u>	<u>1,380,891</u>	<u>4,563,505</u>
Non-current assets:			
Restricted cash	-	9,700	9,700
Investments	-	3,150,876	3,150,876
Capital assets	17,229,773	12,685,048	29,914,821
Less: Accumulated depreciation	<u>(9,374,378)</u>	<u>(5,576,276)</u>	<u>(14,950,654)</u>
Total non-current assets	<u>7,855,395</u>	<u>10,269,348</u>	<u>18,124,743</u>
Total assets	<u>11,038,009</u>	<u>11,650,239</u>	<u>22,688,248</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measure	114,835	42,833	157,668
Actuarial experience	74,834	20,368	95,202
Investment experience	121,445	52,267	173,712
Change in assumptions	185,709	63,895	249,604
Change in proportion	<u>32,492</u>	<u>12,695</u>	<u>45,187</u>
Total deferred outflows of resources	<u>529,315</u>	<u>192,058</u>	<u>721,373</u>
Total assets and deferred outflows of resources	<u>\$ 11,567,324</u>	<u>11,842,297</u>	<u>23,409,621</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 39,768	37,329	77,097
Accrued payroll liabilities	81,030	-	81,030
Customer deposits	-	105,305	105,305
Current portion of compensated absences	44,086	37,217	81,303
Current portion of long-term debt	<u>94,513</u>	<u>107,217</u>	<u>201,730</u>
Total current liabilities	259,397	287,068	546,465
Non-current liabilities			
Compensated absences	11,021	9,305	20,326
Net pension liability	1,727,135	704,741	2,431,876
Notes payable	<u>334,987</u>	<u>1,402,547</u>	<u>1,737,534</u>
Total non-current liabilities	<u>2,073,143</u>	<u>2,116,593</u>	<u>4,189,736</u>
Total liabilities	2,332,540	2,403,661	4,736,201
Deferred inflows of resources:			
Unearned revenues	-	437	437
Actuarial experience	135,885	18,503	154,388
Change in assumptions	10,383	4,052	14,435
Change in proportion	<u>100,161</u>	<u>58,703</u>	<u>158,864</u>
Total deferred inflows of resources	246,429	81,695	328,124
Net position			
Net Investment in Capital Assets	7,425,895	5,599,008	13,024,903
Unrestricted Net Position	<u>1,562,460</u>	<u>3,757,933</u>	<u>5,320,393</u>
Total net position	<u>8,988,355</u>	<u>9,356,941</u>	<u>18,345,296</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 11,567,324</u>	<u>11,842,297</u>	<u>23,409,621</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, 2019

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes In Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 1,459,831	38,646	960,599	-	(460,586)	-	(460,586)
Public safety	1,438,931	13,510	112,352	-	(1,313,069)	-	(1,313,069)
Public works	637,711	-	182,711	-	(455,000)	-	(455,000)
Culture and recreation	219,938	16,913	-	-	(203,025)	-	(203,025)
Health and welfare	54,733	4,842	-	-	(49,891)	-	(49,891)
Interest expense	17,489	-	-	-	(17,489)	-	(17,489)
Total governmental activities	<u>3,828,633</u>	<u>73,911</u>	<u>1,255,662</u>	<u>-</u>	<u>(2,499,060)</u>	<u>-</u>	<u>(2,499,060)</u>
Business-type activities:							
Utilities							
Water	680,887	660,932	114,673	-	-	94,718	94,718
Gas	476,647	443,361	-	-	-	(33,286)	(33,286)
Sewer	515,331	471,302	-	-	-	(44,029)	(44,029)
Solid waste	518,846	429,305	-	-	-	(89,541)	(89,541)
Public housing	614,378	265,939	361,942	248,225	-	261,728	261,728
Total business-type activities	<u>2,806,089</u>	<u>2,270,839</u>	<u>476,615</u>	<u>248,225</u>	<u>-</u>	<u>189,590</u>	<u>189,590</u>
Total primary government	<u>6,634,722</u>	<u>2,344,750</u>	<u>1,732,277</u>	<u>248,225</u>	<u>(2,499,060)</u>	<u>189,590</u>	<u>(2,309,470)</u>
General revenues:							
Taxes							
Property taxes levied for general purposes					\$ 111,437	-	111,437
Gross receipts taxes					1,787,585	133,767	1,921,352
Other taxes and fees					322,056	-	322,056
Licenses and permits					10,760	-	10,760
Fines, forfeitures, and penalties					41,500	-	41,500
Interest income					83,049	5,632	88,681
Miscellaneous income					432,656	20,571	453,227
Transfers					(80,385)	80,385	-
Total general revenue and transfers					<u>2,708,658</u>	<u>240,355</u>	<u>2,949,013</u>
Changes in net position					209,598	429,945	639,543
Beginning net position					12,363,269	16,014,247	28,377,516
Restatement					(3,584,512)	(7,087,251)	(10,671,763)
Beginning net position, as restated					<u>8,778,757</u>	<u>8,926,996</u>	<u>17,705,753</u>
Net position, end of year					<u>\$ 8,988,355</u>	<u>9,356,941</u>	<u>18,345,296</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, 2019**

	<u>Major Funds</u>			
	<u>Cap Project</u>			<u>Total Funds</u>
	<u>General Fund</u>	<u>Road Projects Fund</u>	<u>Total Non- Major Funds</u>	
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 68,209	17,453	1,038,431	1,124,093
Investments	1,083,916	-	499,776	1,583,692
Receivables				
Accounts receivable	33,128	-	2,714	35,842
Taxes receivable	330,034	-	62,215	392,249
Other receivables	46,738	-	-	46,738
Due from other funds	1,071	-	-	1,071
Other assets	-	-	-	-
Total assets	<u>1,563,096</u>	<u>17,453</u>	<u>1,603,136</u>	<u>3,183,685</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 1,563,096</u>	<u>17,453</u>	<u>1,603,136</u>	<u>3,183,685</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ 38,313	-	1,454	39,767
Accrued payroll liabilities	81,030	-	-	81,030
Due to other fund	-	-	1,071	1,071
Total liabilities	<u>119,343</u>	<u>-</u>	<u>2,525</u>	<u>121,868</u>
Deferred Inflows of Resources:				
"Unavailable" revenues	18,685	-	-	18,685
Total deferred inflows of resources	<u>18,685</u>	<u>-</u>	<u>-</u>	<u>18,685</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	17,453	1,497,384	1,514,837
Committed	298,193	-	99,227	397,420
Assigned	-	-	4,000	4,000
Unassigned	1,126,875	-	-	1,126,875
Total fund balances	<u>1,425,068</u>	<u>17,453</u>	<u>1,600,611</u>	<u>3,043,132</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 1,563,096</u>	<u>17,453</u>	<u>1,603,136</u>	<u>3,183,685</u>

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2019**

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

Total fund balance - Governmental funds	\$	3,043,132
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		7,855,395
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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.		18,685
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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		114,835
Actuarial experience		74,834
Investment experience		121,445
Change in assumptions		185,709
Change in proportion		32,492
Deferred inflows of resources related to:		
Actuarial experience		(135,885)
Change in assumptions		(10,383)
Change in proportion		(100,161)

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	\$	(1,727,135)	
Current compensated absences		(44,086)	
Noncurrent compensated absences		(11,021)	
Current notes payable		(94,513)	
Noncurrent notes payable	\$	<u>(334,987)</u>	(2,211,742)

Rounding		<u>(1)</u>
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Net position for governmental activities	\$	<u><u>8,988,355</u></u>
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**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	<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>	
Revenues:				
Taxes				
Property	\$ 104,089	-	-	104,089
Gross receipts/State shared	1,558,772	-	228,813	1,787,585
Other	64,037	-	258,020	322,057
Licenses and permits	6,390	-	4,370	10,760
Charges for services	36,516	-	37,395	73,911
Fines and forfeitures	41,500	-	-	41,500
Intergovernmental revenue				
Federal grants	222,920	-	-	222,920
State grants	547,218	182,711	302,813	1,032,742
Interest income	80,601	-	2,449	83,050
Miscellaneous income	432,104	-	550	432,654
Total revenues	<u>3,094,147</u>	<u>182,711</u>	<u>834,410</u>	<u>4,111,268</u>
Expenditures:				
Current:				
General government	911,808	-	1,780	913,588
Public safety	1,334,733	-	104,198	1,438,931
Public works	430,960	-	206,751	637,711
Culture and recreation	41,095	-	178,843	219,938
Health and welfare	47,671	-	7,062	54,733
Capital outlay	175,793	244,410	35,215	455,418
Debt service				
Principal	-	-	99,201	99,201
Interest	-	-	15,709	15,709
Total expenditures	<u>2,942,060</u>	<u>244,410</u>	<u>648,759</u>	<u>3,835,229</u>
Excess (deficiency) of revenues over (under) expenditures	152,087	(61,699)	185,651	276,039
Other financing sources (uses):				
Transfers in	80,000	706	292,436	373,142
Transfers out	<u>(129,693)</u>	<u>-</u>	<u>(323,834)</u>	<u>(453,527)</u>
Total other financing sources (uses):	<u>(49,693)</u>	<u>706</u>	<u>(31,398)</u>	<u>(80,385)</u>
Net change in fund balances	102,394	(60,993)	154,253	195,654
Beginning fund balance	1,338,958	78,446	1,446,358	2,863,762
Restatement	<u>(16,284)</u>	<u>-</u>	<u>-</u>	<u>(16,284)</u>
Beginning fund balance, as restated	<u>1,322,674</u>	<u>78,446</u>	<u>1,446,358</u>	<u>2,847,478</u>
Ending fund balance	<u>\$ 1,425,068</u>	<u>17,453</u>	<u>1,600,611</u>	<u>3,043,132</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, 2019**

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

Total net change in fund balances-governmental funds	\$	195,654
<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		625,517
<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>		(609,793)
<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		7,348
<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		(4,412)
Principal payments on long-term debt		99,201
<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		114,835
Pension expense		<u>(218,752)</u>
Change in net position of governmental activities	\$	<u><u>209,598</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property	\$ 81,775	81,775	102,826	21,051
Gross receipts	1,458,541	1,458,541	1,517,679	59,138
Other	66,666	66,666	66,247	(419)
Licenses and permits	8,750	8,750	6,390	(2,360)
Charges for services	42,100	42,100	20,232	(21,868)
Fines and forfeitures	115,000	115,000	41,500	(73,500)
Intergovernmental revenue				
Federal grants	246,668	246,668	295,766	49,098
State grants	854,819	854,819	573,225	(281,594)
Interest income	50,000	50,000	82,173	32,173
Miscellaneous income	459,604	604,031	410,319	(193,712)
Total revenues	<u>3,383,923</u>	<u>3,528,350</u>	<u>3,116,357</u>	<u>(411,993)</u>
Expenditures:				
Current:				
General government	949,709	1,053,521	894,214	159,307
Public safety	1,379,668	1,455,482	1,334,733	120,749
Public works	873,261	873,801	433,480	440,321
Culture and recreation	105,276	105,276	41,095	64,181
Health and welfare	50,713	51,154	47,671	3,483
Capital outlay	457,149	473,388	175,793	297,595
Total expenditures	<u>3,815,776</u>	<u>4,012,622</u>	<u>2,926,986</u>	<u>1,085,636</u>
Excess (deficiency) of revenues over (under) expenditures	(431,853)	(484,272)	189,371	(1,497,629)
Other financing sources (uses):				
Transfers in	80,000	80,000	80,000	-
Transfers out	(125,487)	(128,987)	(129,693)	(706)
Total other financing sources (uses):	<u>(45,487)</u>	<u>(48,987)</u>	<u>(49,693)</u>	<u>(706)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(477,340)	(533,259)	139,678	<u>(1,498,335)</u>
Budgeted cash carryover	<u>477,340</u>	<u>533,259</u>	<u>-</u>	
Net change in fund balance	\$ <u>-</u>	<u>-</u>	<u>139,678</u>	
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 139,678	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			(22,209)	
Adjustments to expenditures for accrued wages and expenditures			(15,073)	
Net change in fund balance (GAAP)			<u>\$ 102,396</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, 2019**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 85,154	282,184	367,338
Investments	152,185	-	152,185
Receivables			
Accounts receivable, net	342,431	1,131	343,562
Taxes receivable	2,438	-	2,438
Other receivables	137,341	5,089	142,430
Due from other governments	-	372,938	372,938
Total current assets	<u>719,549</u>	<u>661,342</u>	<u>1,380,891</u>
Non-current assets:			
Restricted cash:			
Cash and cash equivalents - tenant security deposits	-	9,700	9,700
Long-term Investments	3,150,876	-	3,150,876
Capital assets, net	<u>5,143,232</u>	<u>1,965,540</u>	<u>7,108,772</u>
Total non-current assets	<u>8,294,108</u>	<u>1,975,240</u>	<u>10,269,348</u>
Total assets	<u>9,013,657</u>	<u>2,636,582</u>	<u>11,650,239</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measurement date	34,645	8,188	42,833
Actuarial experience	15,161	5,207	20,368
Investment experience	38,905	13,362	52,267
Change in assumptions	47,561	16,334	63,895
Change in proportion	706	11,989	12,695
Total deferred outflows of resources	<u>136,978</u>	<u>55,080</u>	<u>192,058</u>
Total assets and deferred outflows of resources	<u>\$ 9,150,635</u>	<u>2,691,662</u>	<u>11,842,297</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 32,479	4,850	37,329
Customer deposits	95,605	9,700	105,305
Current portion of compensated absences	34,535	2,682	37,217
Current portion of long-term debt	<u>107,217</u>	<u>-</u>	<u>107,217</u>
Total current liabilities	269,836	17,232	287,068
Non-current liabilities			
Compensated absences	8,635	670	9,305
Total pension liability	524,577	180,164	704,741
Notes payable	<u>1,402,547</u>	<u>-</u>	<u>1,402,547</u>
Total non-current liabilities	<u>1,935,759</u>	<u>180,834</u>	<u>2,116,593</u>
Total liabilities	2,205,595	198,066	2,403,661
Deferred inflows of resources:			
Unearned revenues	-	437	437
Actuarial experience	13,773	4,730	18,503
Change in assumptions	3,016	1,036	4,052
Change in proportion	<u>50,239</u>	<u>8,464</u>	<u>58,703</u>
Total deferred inflows of resources	<u>67,028</u>	<u>14,667</u>	<u>81,695</u>
Net position			
Net Investment in Capital Assets	6,784,344	1,975,240	8,759,584
Unrestricted Net Position	<u>93,668</u>	<u>503,689</u>	<u>597,357</u>
Total net position	<u>6,878,012</u>	<u>2,478,929</u>	<u>9,356,941</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 9,150,635</u>	<u>2,691,662</u>	<u>11,842,297</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 NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 2,004,900	265,939	2,270,839
Federal grants - operating	-	361,942	361,942
Total operating revenues	<u>2,004,900</u>	<u>627,881</u>	<u>2,632,781</u>
Operating expenses:			
Personnel services	639,591	163,991	803,582
Operating expenses	1,400,648	363,648	1,764,296
Depreciation and amortization	<u>146,312</u>	<u>86,739</u>	<u>233,051</u>
Total operating expenses	2,186,551	614,378	2,800,929
Operating income (loss)	(181,651)	13,503	(168,148)
Non-operating revenues (expenses):			
Federal grants - capital	-	248,225	248,225
State grants - capital	114,673	-	114,673
Gross receipts and other taxes	133,767	-	133,767
Miscellaneous	20,571	-	20,571
Interest income	<u>5,586</u>	<u>46</u>	<u>5,632</u>
Total non-operating revenues (expenses)	<u>269,437</u>	<u>248,271</u>	<u>517,708</u>
Income (loss) before transfers	87,786	261,774	349,560
Other financing sources/(uses)			
Transfers in	416,690	-	416,690
Transfers out	<u>(336,304)</u>	<u>-</u>	<u>(336,304)</u>
Total other financing sources/(uses)	80,386	-	80,386
Change in net position	168,172	261,774	429,946
Net position, beginning of year	13,862,733	2,151,513	16,014,246
Restatement	<u>(7,152,893)</u>	<u>65,642</u>	<u>(7,087,251)</u>
Beginning net position, as restated	<u>6,709,840</u>	<u>2,217,155</u>	<u>8,926,995</u>
Net position, end of year	<u>\$ 6,878,012</u>	<u>2,478,929</u>	<u>9,356,941</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, 2019**

	<u>Joint Utility Fund</u>	<u>Housing Authority</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,077,837	266,376	2,344,213
Receipts from subsidy grants	-	585,498	585,498
Payments to suppliers	(1,391,429)	(455,878)	(1,847,307)
Payments to employees	(679,274)	(155,039)	(834,313)
Net cash provided (used) for operating activities	<u>7,134</u>	<u>240,957</u>	<u>248,091</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	416,690	-	416,690
Transfers to other funds	(336,304)	-	(336,304)
Tax receipts	133,767	-	133,767
Miscellaneous income	20,571	-	20,571
Net cash provided (used) for noncapital financing activities	<u>234,724</u>	<u>-</u>	<u>234,724</u>
Cash flows from capital and related financing activities:			
Intergovernmental receipts-capital	114,673	248,225	362,898
Acquisition and construction of capital assets	(106,998)	(219,820)	(326,818)
Principal paid on long-term debt	(106,784)	-	(106,784)
Interest paid on long-term debt	(5,160)	-	(5,160)
Net cash provided (used) for capital and related financing activities.	<u>(104,269)</u>	<u>28,405</u>	<u>(75,864)</u>
Cash flows from investing activities:			
Purchase of investments	(152,184)	-	(152,184)
Interest and dividends	5,586	46	5,632
Net cash provided (used) for investing activities.	<u>(146,598)</u>	<u>46</u>	<u>(146,552)</u>
Net increase (decrease) in cash and cash equivalents	(9,009)	269,408	260,399
Cash and cash equivalents – beginning of year	<u>94,163</u>	<u>22,476</u>	<u>116,639</u>
Cash and cash equivalents – end of year	<u>\$ 85,154</u>	<u>291,884</u>	<u>377,038</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (181,651)	13,503	(168,148)
Adjustments			
Depreciation and amortization	146,312	86,739	233,051
Pension expense	(8,942)	18,295	9,353
Deferred outflows - contributions subsequent to measurement date	(34,645)	(8,188)	(42,833)
Bad debt expense	6,082	15,616	21,698
Changes in assets and liabilities:			
Receivables	72,937	223,556	296,493
Accounts payable	3,137	(103,896)	(100,759)
Unearned revenues	-	437	437
Deposits	-	(3,950)	(3,950)
Compensated absences	<u>3,904</u>	<u>(1,155)</u>	<u>2,749</u>
Net cash provided by operating activities	<u>\$ 7,134</u>	<u>240,957</u>	<u>248,091</u>

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
As of June 30, 2019**

	<u>2019</u>
Assets:	
Cash	\$ <u>20,410</u>
Total assets	\$ <u><u>20,410</u></u>
Liabilities:	
Accounts payable	\$ 100
Held for others	<u>20,310</u>
Total liabilities	\$ <u><u>20,410</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, 2019**

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, 2019.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019**

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.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

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

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The City’s fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above. The City’s reports the following Agency Funds:

Drug Court – To account for funds passed-thru the City related to the Hidalgo Drug Court program.

Crime Stoppers – To account for funds raised and held as part of a local Crime Stoppers program.

C. Assets, Liabilities and Equity

Cash Equivalents

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Investments

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

Receivables and Payables

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

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

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

Inventories and Prepaid Items

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

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

Capital Assets

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is adjusted for all deletions.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Analysis of Impairment

Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such City assets at June 30, 2019.

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

hours. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is not be reported in the governmental fund balance sheet unless it was actually due and payable at year end for payments due to retired or terminated employees.

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

Short-Term Obligations

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

Long-Term Obligations

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

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

Deferred Outflows 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 \$157,669 related to contributions subsequent to the measurement date, \$173,712 related to the net difference between expected and actual earnings on pension plan investments, \$95,202 related to the net difference between expected and actual experience, \$249,604 related to changes in assumptions and \$45,187 related to changes in proportion.

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Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized.

If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The City has six types of items which qualify for reporting in this category. The items, unavailable revenue – property taxes and unavailable revenue - grants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has recorded \$18,685 related to property taxes and \$437 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, \$154,388 related to the net difference between expected and actual experience, \$14,435 related to changes in assumptions and \$158,864 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.

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Committed includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision-making authority (City Council). These commitments can only be overturned by a like action.

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

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

See the Schedule of Fund Balances on page 75 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.

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D. Pensions

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

E. Inter-Fund Transactions

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. Income Taxes

As a local government entity, the City is not subject to federal or state income taxes. The City is generally no longer subject to examination by federal and state taxing authorities for years prior to 2016. For the year ended June 30, 2019, 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

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availability and other purposes once budget hearings have been scheduled. The budget hearings are then held with all City department heads. Generally, in late May or early June, a budget meeting is held for tentative approval of the completed budget by the City Council. After tentative approval at the City level, the budget is submitted to the New Mexico Department of Finance and Administration (DFA) for approval of a temporary operational budget beginning June 1.

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

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

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

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

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

Budgetary Basis – State law prescribes that the City's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared 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, 2019 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

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made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer’s investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States, or are backed by the full faith and credit of those governments

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

The City's cash balances consist of demand deposits, interest bearing savings accounts, and short-term certificates of deposit. The majority of City’s cash and investments are pooled. All interest income is accounted for in the related funds. The City does not have a deposit policy. The City’s cash and cash equivalents are listed on page 76 of this report.

The following is a summary of the City’s cash and cash equivalents balances by fund type as of June 30, 2019:

Fund Type	Amount
Primary government	
Governmental funds	\$ 1,124,094
Business-type activities	377,038
Fiduciary funds	20,410
Total cash and cash equivalents - primary government	\$ 1,521,542

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

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bonds issued by any agency or political subdivision of the State of New Mexico. The City's Schedule of Collateral is presented on page 77 of this report.

As of June 30, 2019, the City's bank balances (inclusive of investments listed in Note 4) of \$6,471,209 were exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$ 423,154
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the City's name.	3,719,060
Uninsured and uncollateralized	<u>2,328,995</u>
Total uninsured deposits	<u>\$ 6,471,209</u>

NOTE 4 – INVESTMENTS

The City's investments consisted of the following as of June 30, 2019:

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk- Rating</u>	<u>Maturity</u>
Overnight sweep accounts	\$ 231,707	231,707	N/A	N/A
Certificates of deposit	<u>4,886,752</u>	<u>4,886,752</u>	N/A	6 - 36 months
	<u>\$ 5,118,459</u>	<u>5,118,459</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, 2019 are as follows:

	<u>General Fund</u>	<u>Road Proj Fund</u>	<u>Nonmajor Funds</u>	<u>Total Receivables</u>
Accounts	\$ 203,540	-	2,713	206,253
Taxes:				
Property	21,858	-	-	21,858
State	294,762	-	36,429	331,191
Other	12,339	-	25,787	38,126
Other intergovernmental	<u>47,812</u>	<u>-</u>	<u>-</u>	<u>47,812</u>
Subtotal	580,311	-	64,929	645,240
Less: Allowance for uncollectibles	<u>(170,412)</u>	<u>-</u>	<u>-</u>	<u>(170,412)</u>
Net Receivables	<u>\$ 409,899</u>	<u>-</u>	<u>64,929</u>	<u>474,828</u>

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	Joint Utility Fund	Housing Authority	Total Receivables
Accounts	\$ 586,485	2,693	589,178
Taxes:			
State	2,438	-	2,438
Other intergovernmental	-	372,938	372,938
Other	<u>137,341</u>	<u>5,089</u>	<u>142,430</u>
Subtotal	726,264	380,720	1,106,984
Less: Allowance for uncollectibles	<u>(244,054)</u>	<u>(1,562)</u>	<u>(245,616)</u>
Net Receivables	<u>\$ 482,210</u>	<u>379,158</u>	<u>861,368</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 \$18,685 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.

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NOTE 7 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows. Land and construction in progress are not subject to depreciation.

GOVERNMENTAL ACTIVITIES	Balance 06/30/18	Restatement	Additions	Deletions	Balance 06/30/19
Non-depreciable capital assets:					
Land	\$ 523,769	(391,015)	-	-	132,754
Construction in progress	243,958	-	-	(243,958)	-
Total non-depreciable capital assets	<u>767,727</u>	<u>(391,015)</u>	<u>-</u>	<u>(243,958)</u>	<u>132,754</u>
Capital assets being depreciated:					
Buildings	4,975,595	(222,908)	-	-	4,752,687
Improvements	4,807,369	(2,213,870)	164,493	226,916	2,984,908
Infrastructure	5,554,069	664,755	443,615	-	6,662,439
Machinery and equipment	3,776,066	(1,096,491)	17,410	-	2,696,985
Total capital assets being depreciated	<u>19,113,099</u>	<u>(2,868,514)</u>	<u>625,517</u>	<u>226,916</u>	<u>17,097,019</u>
Less accumulated depreciation for:					
Buildings	(1,722,669)	312,381	(113,552)	-	(1,523,840)
Improvements	(2,535,760)	874,175	(118,134)	-	(1,779,720)
Infrastructure	(1,197,577)	(2,899,732)	(258,069)	-	(4,355,378)
Machinery and equipment	(3,037,681)	1,442,278	(120,037)	-	(1,715,440)
Total accumulated depreciation	<u>(8,493,687)</u>	<u>(270,898)</u>	<u>(609,793)</u>	<u>-</u>	<u>(9,374,378)</u>
Total capital assets being depreciated	<u>10,619,412</u>	<u>(3,139,412)</u>	<u>15,725</u>	<u>226,916</u>	<u>7,722,641</u>
Total capital assets, net of depreciation	<u>\$ 11,387,139</u>	<u>(3,530,427)</u>	<u>15,725</u>	<u>(17,042)</u>	<u>7,855,395</u>
BUSINESS-TYPE ACTIVITIES					
Non-depreciable capital assets:					
Land	187,715	(22,669)	-	-	165,046
Construction in progress	\$ 31,721	(31,721)	315,423	-	315,423
Total non-depreciable capital assets	<u>219,436</u>	<u>(54,390)</u>	<u>315,423</u>	<u>-</u>	<u>480,469</u>
Capital assets being depreciated:					
Buildings	2,477,238	-	-	-	2,477,238
Improvements	7,254,065	(4,630,732)	49,861	-	2,673,194
Utility system	10,793,672	(4,043,925)	106,999	17,041	6,873,787
Machinery and equipment	1,351,799	(1,171,440)	-	-	180,359
Total capital assets being depreciated	<u>21,876,774</u>	<u>(9,846,097)</u>	<u>156,860</u>	<u>17,041</u>	<u>12,204,578</u>
Less accumulated depreciation for:					
Buildings	(2,461,356)	40	(530)	-	(2,461,846)
Improvements	(2,585,995)	1,571,208	(91,683)	-	(1,106,470)
Utility system	(2,164,122)	422,776	(137,969)	-	(1,879,315)
Machinery and equipment	(1,103,573)	977,799	(2,873)	-	(128,645)
Total accumulated depreciation	<u>(8,315,046)</u>	<u>2,971,824</u>	<u>(233,055)</u>	<u>-</u>	<u>(5,576,276)</u>
Total capital assets being depreciated	<u>13,561,728</u>	<u>(6,874,273)</u>	<u>(76,195)</u>	<u>17,041</u>	<u>6,628,302</u>
Total capital assets, net of depreciation	<u>\$ 13,781,164</u>	<u>(6,928,663)</u>	<u>239,228</u>	<u>17,041</u>	<u>7,108,771</u>

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Depreciation expense for the year ended June 30, 2019 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 210,224
Public safety	34,047
Public works	287,506
Culture and recreation	<u>78,016</u>
Total governmental activities	\$ 609,793
Business type activities	
Joint utility fund	\$ 146,312
Housing authority	<u>86,743</u>
Total governmental activities	<u>\$ 233,055</u>

NOTE 8 – LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Amount</u>
	<u>June 30, 2018</u>			<u>June 30, 2019</u>	<u>due within</u>
					<u>one year</u>
Governmental funds debt					
Compensated absences	\$ 50,695	51,732	(47,320)	55,107	44,086
Revenues bonds payable	279,000	-	(4,000)	275,000	4,000
Notes payable	<u>249,701</u>	-	<u>(95,201)</u>	<u>154,500</u>	<u>90,513</u>
Total governmental activities	\$ <u>579,396</u>	<u>51,732</u>	<u>(146,521)</u>	<u>484,607</u>	<u>138,599</u>
Business-type funds debt					
Compensated absences	\$ 43,773	40,358	(37,609)	46,522	37,217
Notes payable	<u>1,616,548</u>	-	<u>(106,784)</u>	<u>1,509,764</u>	<u>107,217</u>
Total business-type activities	\$ <u>1,660,321</u>	<u>40,358</u>	<u>(144,393)</u>	<u>1,556,286</u>	<u>144,434</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 2019.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2019 are as follows.

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Governmental activities

Revenue Bonds

Bonds payable for governmental funds at June 30, 2019 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 wastewater 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, 2019, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,000	3,422	4,422
2021	2,000	3,350	5,350
2022	2,000	3,278	5,278
2023	2,000	3,206	5,206
2024	2,000	3,134	5,134
2025-2029	10,000	14,587	24,587
2030-2034	10,000	12,786	22,786
2035-2039	15,000	10,445	25,445
2040-2044	16,000	7,708	23,708
2045-2049	20,000	4,322	24,322
2050-2054	16,000	432	16,432
Total	\$ <u>96,000</u>	<u>66,670</u>	<u>162,670</u>

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

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The annual requirements to amortize the 2011B Bond Issue outstanding as of June 30, 2019, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,000	6,147	9,147
2021	3,000	6,042	9,042
2022	3,000	5,938	8,938
2023	3,000	5,833	8,833
2024	4,000	5,693	9,693
2025-2029	20,000	26,370	46,370
2030-2034	23,000	22,667	45,667
2035-2039	27,000	18,232	45,232
2040-2044	33,000	12,888	45,888
2045-2049	38,000	6,601	44,601
2050-2054	22,000	454	22,454
Total	<u>\$ 179,000</u>	<u>116,865</u>	<u>295,865</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 \$71,883 at June 30, 2019, and equal 9.5% of future state shared gross receipts tax at their current rate. During the year ended June 30, 2019, the City collected \$757,750 in pledged revenues, and retired \$78,750 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>
2020	\$ 70,000	1,883	71,883
Total	<u>\$ 70,000</u>	<u>1,883</u>	<u>71,883</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 \$89,379 at June 30, 2019, and equal 25.7% of future fire protection grant funds at their current rate. During the year ended June 30, 2019, the City collected \$86,952 in pledged revenues, and retired \$22,345 in principal and interest on the aforementioned note. The City has authorized the New Mexico Taxation and Revenue Department to intercept the required monthly payment from their gross receipts tax remittances.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 20,513	1,832	22,345
2021	20,880	1,465	22,345
2022	21,312	1,033	22,345
2023	21,795	549	22,344
Total	<u>\$ 84,500</u>	<u>4,879</u>	<u>89,379</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 90,513	3,715	94,228
2021	20,880	1,465	22,345
2022	21,312	1,033	22,345
2023	21,795	549	22,344
Total	<u>\$ 154,500</u>	<u>6,762</u>	<u>161,262</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 \$39,847 at June 30, 2019, and equal 00.8% of future water utility revenues at their current rate. During the year ended June 30, 2019, the City collected \$660,932 in pledged revenues, and retired \$4,427 in principal and interest on the aforementioned note.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,329	98	4,427
2021	4,340	88	4,428
2022	4,351	77	4,428
2023	4,362	66	4,428
2024	4,373	55	4,428
2025-2029	<u>17,598</u>	<u>110</u>	<u>17,708</u>
Total	<u>\$ 39,353</u>	<u>494</u>	<u>39,847</u>

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NMFA – Water Line Replacement

On June 21, 2013, the City borrowed \$186,118 from the New Mexico Finance Authority. The note matures on May 1, 2035, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan were used for the construction of replacement water lines throughout the City. The payments of principal and interest are paid from pledged net revenues of the City’s water utility system. The revenues pledged totaled \$146,252 at June 30, 2019, and equal 1.9% of future water utility revenues at their current rate. During the year ended June 30, 2019, the City collected \$660,932 in pledged revenues, and retired \$9,750 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>
2020	\$ 9,392	358	9,750
2021	9,415	335	9,750
2022	9,439	311	9,750
2023	9,462	288	9,750
2024	9,486	264	9,750
2025-2029	47,787	964	48,751
2030-2034	48,387	364	48,751
Total	<u>\$ 143,368</u>	<u>2,884</u>	<u>146,252</u>

NMFA – Wastewater 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 \$55,135 at June 30, 2019, and equal 0.8% of future water utility revenues at their current rate. During the year ended June 30, 2019, the City collected \$471,302 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>
2020	\$ 3,676	-	3,676
2021	3,676	-	3,676
2022	3,676	-	3,676
2023	3,676	-	3,676
2024	3,676	-	3,676
2025-2029	18,380	-	18,380
2030-2034	18,375	-	18,375
Total	<u>\$ 55,135</u>	<u>-</u>	<u>55,135</u>

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NMFA – Wastewater 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 \$29,250 at June 30, 2019, and equal 0.4% of future water utility revenues at their current rate. During the year ended June 30, 2019, the City collected \$471,302 in pledged revenues, and retired \$1,950 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>
2020	\$ 1,950	-	1,950
2021	1,950	-	1,950
2022	1,950	-	1,950
2023	1,950	-	1,950
2024	1,950	-	1,950
2025-2029	9,750	-	9,750
2030-2034	9,750	-	9,750
Total	<u>\$ 29,250</u>	<u>-</u>	<u>29,250</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 \$56,788 at June 30, 2019, and equal 0.8% of future waste water utility revenues at their current rate. During the year ended June 30, 2019, the City collected \$471,302 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>
2020	\$ 3,550	-	3,550
2021	3,550	-	3,550
2022	3,550	-	3,550
2023	3,550	-	3,550
2024	3,550	-	3,550
2025-2029	17,750	-	17,750
2030-2034	17,750	-	17,750
2035-2039	3,538	-	3,538
Total	<u>\$ 56,788</u>	<u>-</u>	<u>56,788</u>

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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 2% 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 \$749,807 at June 30, 2019, and equal 8.4% of future water utility revenues at their current rate. During the year ended June 30, 2019, the City collected \$660,932 in pledged revenues, and retired \$44,074 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>
2020	\$ 40,258	3,816	44,074
2021	40,668	3,405	44,073
2022	41,144	2,929	44,073
2023	41,712	2,362	44,074
2024	42,367	1,707	44,074
2025-2029	217,925	2,646	220,571
2030-2034	219,521	1,099	220,620
2035-2039	<u>88,116</u>	<u>132</u>	<u>88,248</u>
Total	<u>\$ 731,711</u>	<u>18,096</u>	<u>749,807</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 \$64,065 at June 30, 2019, and equal 66.1% of future municipal environmental services gross receipts taxes at their current rate. During the year ended June 30, 2019, the City collected \$32,285 in pledged revenues, and retired \$21,355 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>
2020	\$ 21,291	64	21,355
2021	21,312	43	21,355
2022	<u>21,334</u>	<u>21</u>	<u>21,355</u>
Total	<u>\$ 63,937</u>	<u>128</u>	<u>64,065</u>

NMFA – Replacement of Water/wastewater Lines

On October 20, 2017, the City borrowed \$426,360 from the New Mexico Finance Authority. The note matures on May 1, 2036 and carries a 0.100% blended 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

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revenues pledged totaled \$393,743 at June 30, 2019, and equal 4.4% of future water utility revenues at their current rate. During the year ended June 30, 2019, the City collected \$660,932 in pledged revenues, and retired \$23,162 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>
2020	\$	22,771	390	23,161
2021		22,794	367	23,161
2022		22,817	345	23,162
2023		22,840	322	23,162
2024		22,862	299	23,161
2025-2029		114,655	1,152	115,807
2030-2034		115,230	577	115,807
2035-2039		46,253	69	46,322
Total	\$	<u>390,222</u>	<u>3,521</u>	<u>393,743</u>

NMFA – Drainage System Improvements

On September 29, 2017, the City borrowed \$55,587 from the New Mexico Finance Authority related to the Colonias Infrastructure program. The note matures on June 1, 2039 and carries a 0% interest rate. The proceeds of the loan are to be used for improvements to the City’s wastewater/drainage system. The payments of principal and interest are paid from pledged net revenues of the City’s wastewater utility system. During the year ended June 30, 2019, no amounts were drawn from this loan. It is expected that the loan proceeds will be drawn during the next fiscal year.

NMFA – Colonias Infrastructure Project

On December 14, 2018, the City borrowed \$55,400 from the New Mexico Finance Authority related to the Colonias Infrastructure program. The note matures on June 1, 2040 and carries a 0% interest rate. The proceeds of the loan are to be used for improvements to the City’s wastewater/drainage system. The payments of principal and interest are paid from pledged net revenues of the City’s wastewater utility system. During the year ended June 30, 2019, no amounts were drawn from this loan. It is expected that the loan proceeds will be drawn during the next fiscal year.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 107,217	4,726	111,943
2021	107,705	4,238	111,943
2022	108,261	3,683	111,944
2023	87,552	3,038	90,590
2024	88,264	2,325	90,589
2025-2029	443,845	4,872	448,717
2030-2034	429,013	2,040	431,053
2035-2039	137,907	201	138,108
Total	<u>\$ 1,509,764</u>	<u>25,123</u>	<u>1,534,887</u>

The governmental activities and business-type activities notes payable are all secured with an irrevocable lien placed on the pledged revenues to the extent required to pay the outstanding loan amounts and any related interest. The outstanding notes payable contain (1) a provision that in an event of default, the City could be legally compelled to carry out its duties under the law and the loan agreement, (2) cause the City to account for all of the pledged revenues as if it were the trustee if an express trust, and (3) permit the lender to take whatever action at law or in equity may appear necessary or desirable to collect amounts then due and thereafter to become due under the loan agreement. The City's outstanding notes payable do not contain any subjective acceleration clauses to allow the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. Default remedies entered against the City are limited and may reach only available pledged revenues.

NOTE 9 – SEGMENT INFORMATION

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

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	<u>Water Dept</u>	<u>Wastewater Dept</u>
CONDENSED STATEMENT OF NET POSITION		
Assets:		
Current assets	\$ 2,085,224	379,837
Capital assets	<u>1,918,317</u>	<u>2,526,801</u>
Total assets	<u>4,003,541</u>	<u>2,906,638</u>
Deferred outflows of resources	35,788	38,864
Liabilities		
Current liabilities	666	-
Noncurrent liabilities	<u>1,503,146</u>	<u>247,530</u>
Total liabilities	<u>1,503,812</u>	<u>247,530</u>
Deferred inflows of resources	17,512	19,017
Net position		
Net investment in capital assets	558,528	2,440,763
Unrestricted	<u>8,695,675</u>	<u>48,975</u>
Total net position	<u>\$ 9,254,203</u>	<u>2,489,738</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues (pledged against debt)	\$ 660,935	471,302
Depreciation expense	(50,624)	(76,733)
Other operating expenses	<u>(598,194)</u>	<u>(438,598)</u>
Operating income	12,117	(44,029)
Nonoperating revenues (expenses):		
Capital grants	114,673	-
Taxes	73,877	-
Investment income	5,323	14
Miscellaneous revenue	-	967
Interest expense	(5,075)	-
Transfers in	481,776	267,762
Transfers out	<u>(121,792)</u>	<u>(95,151)</u>
Change in net position	560,899	129,563
Beginning net position	8,827,247	2,377,190
Restatement of beginning net position	<u>(133,943)</u>	<u>(17,015)</u>
Ending net position	<u>\$ 9,254,203</u>	<u>2,489,738</u>

CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ 111,122	17,242
Noncapital financing activities	433,858	173,579
Capital and related financing activities	(77,415)	(5,500)
Investing activities	<u>(464,741)</u>	<u>(185,321)</u>
Net increase (decrease)	2,824	-
Beginning cash and cash equivalents	<u>82,330</u>	<u>-</u>
Ending cash and cash equivalents	<u>\$ 85,154</u>	<u>-</u>

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NOTE 10 – INTERFUND BALANCES AND TRANSFERS

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

The composition of interfund transfers during the year ended June 30, 2019 was as follows:

	Transfers In					
	<u>General</u>	<u>Road Proj</u>	<u>Non-Major Govern- mental</u>	<u>Joint Utility</u>	<u>Housing Authority</u>	<u>Total</u>
General	\$ -	706	128,987	-	-	129,693
Non-Major Governmental	8,000	-	65,000	250,834	-	323,834
Joint Utility Fund	72,000	-	98,448	165,856	-	336,304
Housing Authority	-	-	-	-	10,915	10,915
Total	<u>\$ 80,000</u>	<u>706</u>	<u>292,435</u>	<u>416,690</u>	<u>10,915</u>	<u>800,746</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, 2019, 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, 2019 totaled \$222,064.

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

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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.

Benefits Provided – Tier I - Benefits are generally available at age 65 with five or 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.

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

PERA Contribution Rates and Pension Factors as of July 1, 2018						
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						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
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 PLANS 1 - 5						
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 PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	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						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation

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as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term 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, 2019, the City of Lordsburg reported a liability of \$1,009,236 for its proportionate share of the net pension liability. At June 30, 2018, the City of Lordsburg's proportion was 0.633%, which was a decrease of 0.0084% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$97,262. At June 30, 2019, the City of Lordsburg reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,170	26,497
Changes of assumptions	91,502	5,803
Net difference between projected and actual earnings on pension plan investments	74,850	-
Changes in proportion and differences between City contributions and proportionate share of contributions	1,358	96,655
City contributions subsequent to the measurement date	66,654	-
	\$ 263,534	128,955

\$66,654 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, 2020. 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	\$	67,589
2018		12,726
2019		(15,888)
2020		3,498
2021		-
Thereafter	\$	-

For PERA Fund Division Municipal Police: At June 30, 2019, the City of Lordsburg reported a liability of \$1,242,476 for its proportionate share of the net pension liability. At June 30, 2018, the City of Lordsburg's proportion was 0.1821%, which was a decrease of 0.0105% from its proportion measured as of June 30, 2017.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

For the year ended June 30, 2019, the City recognized pension expense of \$112,548. At June 30, 2019, the City of Lordsburg reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,826	123,161
Changes of assumptions	141,768	7,596
Net difference between projected and actual earnings on pension plan investments	85,500	-
Changes in proportion and differences between City contributions and proportionate share of contributions	31,840	53,745
City contributions subsequent to the measurement date	<u>82,826</u>	<u>-</u>
	<u>\$ 402,760</u>	<u>184,502</u>

\$82,826 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, 2020. 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	\$	94,410
2018		22,401
2019		14,297
2020		4,324
2021		-
Thereafter	\$	-

For PERA Fund Division Municipal General (Housing): At June 30, 2019, the City of Lordsburg Housing Authority reported a liability of \$180,164 for its proportionate share of the net pension liability. At June 30, 2018, the City of Lordsburg Housing Authority's proportion was 0.0113%, which was an increase of 0.0013% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized pension expense of \$18,295. At June 30, 2019, the City of Lordsburg Housing Authority 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, 2019**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,207	4,730
Changes of assumptions	16,334	1,036
Net difference between projected and actual earnings on pension plan investments	13,362	-
Changes in proportion and differences between City contributions and proportionate share of contributions	11,989	8,464
City contributions subsequent to the measurement date	<u>8,188</u>	
	<u>\$ 55,080</u>	<u>14,230</u>

\$8,188 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, 2020. 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	\$	17,237
2018		8,974
2019		5,741
2020		710
2021		-
Thereafter	\$	-

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% rate all other years
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	43.50%	7.48%
Risk Reduciton & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets	20.00%	6.48%
Total	<u>100.00%</u>	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund Division - Municipal General - City	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 1,555,166	1,009,236	557,939

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

PERA Fund Division - Municipal Police	1%	Current	
	Decrease	Discount Rate	1% Increase
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
City's proportionate share of the net pension liability	\$ 1,910,418	1,242,476	697,945
PERA Fund Division - Municipal General - Housing	1%	Current	
	Decrease	Discount Rate	1% Increase
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
City Housing Authority proportionate share of the net pension liability	\$ 277,620	180,164	99,600

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

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:

Fiscal Year		
Ending June 30,	Amount	
2020	\$	4,300
2021		1,309
2022		-
2023		-
2024		-
Total	\$	<u>5,609</u>

Rental payments charged to current operations for the year ended June 30, 2019 totaled \$1,019.

NOTE 15 – FUND DEFICITS AND NON-COMPLIANCE

Deficit Fund Balances

The City did not have any funds with a deficit fund balance at June 30, 2019:

Legal Compliance with Budget

The City did not have any funds that exceeded budget at the fund level as of June 30, 2019.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds of the overall financial position of the City.

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

NOTE 17 – COMMITMENTS

Commitments for engineering and construction projects relating to construction or major repairs in progress aggregated approximately \$4,746,039 as of June 30, 2019. The total amounts spent as of June 30, 2019 on the projects was \$810,883. The percentage of completion of the existing projects varies based on the project. These projects will be paid in future periods as work is performed. Payment will be made with proceeds remaining from debt issuances, operating revenues, and future grants to be received.

NOTE 18 – RESTATEMENT OF PRIOR YEAR ENDING FUND BALANCE/NET POSITION

During the year ended June 30, 2019, it was determined that funds previously reported as special revenues funds were more accurately considered agency-type fiduciary funds. As a result of this determination net assets totaling \$20,759 were reclassified from governmental funds to agency funds.

During the year, the City wrote-down utility receivable balances related to City-owned property. The amounts written down that were determined to be for prior year balances totaled \$16,284 in the general fund and \$241,270 in the City's joint utility fund. Beginning net assets were decreased in both funds, respectively.

During the year ended June 30, 2019, the City hired a third-party company to perform a complete inventory of all of the City's capital assets to ensure they were appropriately identified and accounted for. As a result of this inventory, it was determined that the prior year reported capital assets in City's governmental activities were overstated by \$3,530,427 and the prior year reported capital assets in City's joint utility fund were overstated by \$6,928,664. Beginning net assets were decreased in both funds, respectively.

During the year ended June 30, 2019, the City contracted with Western Regional Housing Authority to take over operations of the City's housing authority as a result of operational deficiencies identified in previous years. During this process, Western Regional determined that prior year reported tenant

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

receivables were overstated by \$77,239, prior year reported security deposits were understated by \$2,882, and prior year reported capital assets were understated by \$145,464. The cumulative result of these adjustments was an increase in beginning net assets of \$65,343.

The following chart summarized the cumulative restatements to net position:

<u>Fund</u>	<u>Purpose/Reason</u>	<u>Amount</u>
Governmental activities		
General Fund	Prior year receivables were overstated	\$ (16,284)
Total governmental funds		<u>(16,284)</u>
Government-wide statements		
Government-wide statements	Reclassification of drug court and crime stoppers funds to agency funds	(20,759)
Government-wide statements	Capital assets in prior year were overstated	<u>(3,547,469)</u>
Total governmental activities		<u>\$ (3,584,512)</u>
Business-type activities		
Proprietary funds		
Joint utility fund	Prior year receivables were overstated	\$ (241,270)
	Capital assets in prior year were overstated	<u>(6,911,623)</u>
Total joint utility fund		<u>(7,152,893)</u>
Housing authority fund	Prior year tenant receivables were overstated	(76,940)
Housing authority fund	Prior year security deposits were understated	(2,882)
Housing authority fund	Prior year capital assets were understated	<u>145,464</u>
Total housing authority		<u>65,642</u>
Total business-type activities		<u>\$ 65,642</u>

NOTE 19 – GASBS 77 TAX ABATEMENT DISCLOSURES

The City was not part of any tax abatement agreements subject to GASBS 77 Tax Abatement Disclosures during the year ended June 30, 2019. As a result, they make no such disclosures related to GASBS 77.

NOTE 20 – EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 12, 2019, 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Lordsburg's proportion of the net pension liability (asset)	0.0633%	0.0717%	0.0728%	0.0775%	0.0752%
City of Lordsburg's proportionate share of the net pension liability (asset)	\$ 1,009,236	\$ 985,218	\$ 1,163,099	\$ 790,180	\$ 586,641
City of Lordsburg's covered-employee payroll	\$ 891,816	\$ 851,947	\$ 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	113.17%	115.64%	119.61%	71.22%	63.74%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	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 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Lordsburg Housing Authority's proportion of the net pension liability (asset)	0.0113%	0.0100%	0.0109%	0.0120%	0.0127%
Lordsburg Housing Authority's proportionate share of the net pension liability (asset)	\$ 180,164	137,408	174,146	122,350	99,074
Lordsburg Housing Authority's covered-employee payroll	\$ 112,945	128,618	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	159.51%	106.83%	102.47%	73.55%	68.13%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	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
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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Lordsburg's proportion of the net pension liability (asset)	0.1821%	0.1926%	0.1802%	0.1836%	0.2042%
City of Lordsburg's proportionate share of the net pension liability (asset)	\$ 1,242,476	\$ 1,070,019	\$ 1,329,569	\$ 882,852	\$ 665,670
City of Lordsburg's covered-employee payroll	\$ 435,721	\$ 386,866	\$ 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	285.15%	276.59%	195.98%	138.79%	158.03%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 66,654	\$ 61,975	\$ 58,179	\$ 65,513	\$ 61,452
Contributions in relation to the contractually required contribution	<u>66,654</u>	<u>61,975</u>	<u>58,179</u>	<u>65,513</u>	<u>61,452</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	891,816	851,947	972,387	1,109,539	920,396
Contributions as a percentage of covered-employee payroll	7.47%	7.27%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 8,188	\$ 9,388	\$ 8,415	\$ 8,877	\$ 9,498
Contributions in relation to the contractually required contribution	<u>8,188</u>	<u>9,388</u>	<u>8,415</u>	<u>8,877</u>	<u>9,498</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City Housing Authority's covered-employee payroll	112,945	128,618	169,951	166,348	145,418
Contributions as a percentage of covered-employee payroll	7.25%	7.30%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 82,826	75,208	77,892	62,646	68,003
Contributions in relation to the contractually required contribution	<u>82,826</u>	<u>75,208</u>	<u>77,892</u>	<u>62,646</u>	<u>68,003</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
City's covered-employee payroll	435,721	386,866	678,412	636,106	421,217
Contributions as a percentage of covered-employee payroll	19.01%	19.44%	11.48%	9.85%	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.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

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 2018 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, 2019**

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.

PETSMART GRANT - To account for the proceeds of a grant provided for the administration of a spay/neuter program.

CRIME STOPPERS - To account for the fiscal administrator activity for the crime stoppers program.

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.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019**

	<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	\$ 404,308	431,830	202,293	1,038,431
Investments	499,776	-	-	499,776
Receivables				
Accounts receivable	2,714	-	-	2,714
Taxes receivable	62,215	-	-	62,215
Total assets	<u>969,013</u>	<u>431,830</u>	<u>202,293</u>	<u>1,603,136</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>\$ 969,013</u>	<u>431,830</u>	<u>202,293</u>	<u>1,603,136</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ 1,454	-	-	1,454
Due to other fund	-	1,071	-	1,071
Total liabilities	<u>1,454</u>	<u>1,071</u>	<u>-</u>	<u>2,525</u>
Deferred Inflows of Resources:				
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	864,332	430,759	202,293	1,497,384
Committed	99,227	-	-	99,227
Assigned	4,000	-	-	4,000
Unassigned	-	-	-	-
Total fund balances	<u>967,559</u>	<u>430,759</u>	<u>202,293</u>	<u>1,600,611</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 969,013</u>	<u>431,830</u>	<u>202,293</u>	<u>1,603,136</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, 2019

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Totals</u>
Revenues:				
Taxes				
Gross receipts	\$ 228,813	-	-	228,813
Other	258,020	-	-	258,020
Licenses and permits	4,370	-	-	4,370
Charges for services	37,395	-	-	37,395
Intergovernmental revenue				
State grants	112,352	190,461	-	302,813
Interest income	396	-	2,053	2,449
Miscellaneous income	550	-	-	550
Total revenues	<u>641,896</u>	<u>190,461</u>	<u>2,053</u>	<u>834,410</u>
Expenditures:				
Current:				
General government	-	-	1,780	1,780
Public safety	104,198	-	-	104,198
Public works	194,132	12,619	-	206,751
Culture and recreation	178,843	-	-	178,843
Health and welfare	7,062	-	-	7,062
Capital outlay	7,274	27,941	-	35,215
Debt service				
Principal	20,201	4,000	75,000	99,201
Interest	2,144	9,815	3,750	15,709
Total expenditures	<u>513,854</u>	<u>54,375</u>	<u>80,530</u>	<u>648,759</u>
Excess (deficiency) of revenues over (under) expenditures	128,042	136,086	(78,477)	185,651
Other financing sources (uses):				
Transfers in	130,500	155,558	6,378	292,436
Transfers out	(73,000)	(250,834)	-	(323,834)
Total other financing sources (uses):	<u>57,500</u>	<u>(95,276)</u>	<u>6,378</u>	<u>(31,398)</u>
Net change in fund balances	185,542	40,810	(72,099)	154,253
Beginning fund balance	<u>782,017</u>	<u>389,949</u>	<u>274,392</u>	<u>1,446,358</u>
Ending fund balance	<u>\$ 967,559</u>	<u>430,759</u>	<u>202,293</u>	<u>1,600,611</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, 2019**

	<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>
Assets and deferred inflows of resources:						
Assets:						
Cash and cash equivalents	\$ 153,151	66,381	1,460	-	64,097	-
Investments	129,165	-	-	-	-	370,611
Receivables						
Accounts receivable	-	-	2,397	-	-	-
Taxes receivable	36,428	-	-	-	-	25,787
Total assets	<u>318,744</u>	<u>66,381</u>	<u>3,857</u>	<u>-</u>	<u>64,097</u>	<u>396,398</u>
Deferred Outflows of Resources:						
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assests and deferred outflows of resources	<u>\$ 318,744</u>	<u>66,381</u>	<u>3,857</u>	<u>-</u>	<u>64,097</u>	<u>396,398</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>
Deferred Inflows of Resources:						
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	318,744	66,381	3,857	-	64,097	396,398
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>318,744</u>	<u>66,381</u>	<u>3,857</u>	<u>-</u>	<u>64,097</u>	<u>396,398</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 318,744</u>	<u>66,381</u>	<u>3,857</u>	<u>-</u>	<u>64,097</u>	<u>396,398</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, 2019**

	Rec- reation Fund	Special Events Center	Petsmart Grant	Special Investigations Fund	Total
Assets and deferred inflows of resources:					
Assets:					
Cash and cash equivalents	\$ 13,162	99,205	2,852	4,000	404,308
Investments	-	-	-	-	499,776
Receivables					
Accounts receivable	295	22	-	-	2,714
Taxes receivable	-	-	-	-	62,215
Total assets	<u>13,457</u>	<u>99,227</u>	<u>2,852</u>	<u>4,000</u>	<u>969,013</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>\$ 13,457</u>	<u>99,227</u>	<u>2,852</u>	<u>4,000</u>	<u>969,013</u>
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	\$ 1,454	-	-	-	1,454
Total liabilities	<u>1,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,454</u>
Deferred Inflows of Resources:					
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	12,003	-	2,852	-	864,332
Committed	-	99,227	-	-	99,227
Assigned	-	-	-	4,000	4,000
Unassigned	-	-	-	-	-
Total fund balances	<u>12,003</u>	<u>99,227</u>	<u>2,852</u>	<u>4,000</u>	<u>967,559</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 13,457</u>	<u>99,227</u>	<u>2,852</u>	<u>4,000</u>	<u>969,013</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, 2019**

	<u>CDBG Funds</u>	<u>2017 CDBG Funds</u>	<u>2007-2008 Co-Op</u>	<u>Waste Water Reuse Fund</u>	<u>Water Project Fund</u>	<u>2018 Colonias Project</u>
Assets and deferred inflows of resources:						
Assets:						
Cash and cash equivalents	\$ 41,226	48,643	34,075	20,487	-	55,577
Total assets	<u>41,226</u>	<u>48,643</u>	<u>34,075</u>	<u>20,487</u>	<u>-</u>	<u>55,577</u>
Deferred Outflows of Resources:						
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 41,226</u>	<u>48,643</u>	<u>34,075</u>	<u>20,487</u>	<u>-</u>	<u>55,577</u>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Due to other fund	\$ 1,071	-	-	-	-	-
Total liabilities	<u>1,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:						
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	40,155	48,643	34,075	20,487	-	55,577
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>40,155</u>	<u>48,643</u>	<u>34,075</u>	<u>20,487</u>	<u>-</u>	<u>55,577</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 41,226</u>	<u>48,643</u>	<u>34,075</u>	<u>20,487</u>	<u>-</u>	<u>55,577</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, 2019**

	<u>SP-1-19 Co- op Fund</u>	<u>MAP (908)</u>	<u>Totals</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 47,978	183,844	431,830
Total assets	<u>47,978</u>	<u>183,844</u>	<u>431,830</u>
Deferred Outflows of Resources:			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 47,978</u>	<u>183,844</u>	<u>431,830</u>
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Due to other fund	\$ -	-	1,071
Total liabilities	<u>-</u>	<u>-</u>	<u>1,071</u>
Deferred Inflows of Resources:			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	47,978	183,844	430,759
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>47,978</u>	<u>183,844</u>	<u>430,759</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 47,978</u>	<u>183,844</u>	<u>431,830</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, 2019**

	<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	\$ 197,235	5,058	202,293
Total assets	<u>197,235</u>	<u>5,058</u>	<u>202,293</u>
Deferred Outflows of Resources:			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 197,235</u>	<u>5,058</u>	<u>202,293</u>
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Total liabilities	\$ -	-	-
Deferred Inflows of Resources:			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	197,235	5,058	202,293
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>197,235</u>	<u>5,058</u>	<u>202,293</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 197,235</u>	<u>5,058</u>	<u>202,293</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, 2019

	<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>
Revenues:						
Taxes						
Gross receipts	\$ 228,813	-	-	-	-	-
Other	-	-	-	-	-	258,020
Licenses and permits	-	-	-	-	4,370	-
Charges for services	-	-	13,510	-	4,842	-
Intergovernmental revenue						
State grants	-	86,952	-	25,400	-	-
Interest income	-	396	-	-	-	-
Miscellaneous income	75	-	-	-	-	-
Total revenues	<u>228,888</u>	<u>87,348</u>	<u>13,510</u>	<u>25,400</u>	<u>9,212</u>	<u>258,020</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	41,573	33,899	27,726	-	-
Public works	194,132	-	-	-	-	-
Culture and recreation	-	-	-	-	-	92,569
Health and welfare	-	-	-	-	7,062	-
Capital outlay	-	6,418	-	-	856	-
Debt service						
Principal	-	20,201	-	-	-	-
Interest	-	2,144	-	-	-	-
Total expenditures	<u>194,132</u>	<u>70,336</u>	<u>33,899</u>	<u>27,726</u>	<u>7,918</u>	<u>92,569</u>
Excess (deficiency) of revenues over (under) expenditures	34,756	17,012	(20,389)	(2,326)	1,294	165,451
Other financing sources (uses):						
Transfers in	-	-	-	-	16,000	65,000
Transfers out	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>
Total other financing sources (uses):	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>-</u>
Net change in fund balances	26,756	17,012	(20,389)	(2,326)	17,294	165,451
Beginning fund balance	<u>291,988</u>	<u>49,369</u>	<u>24,246</u>	<u>2,326</u>	<u>46,803</u>	<u>230,947</u>
Ending fund balance	<u>\$ 318,744</u>	<u>66,381</u>	<u>3,857</u>	<u>-</u>	<u>64,097</u>	<u>396,398</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, 2019

	Rec- reation Fund	Special Events Center	Petsmart Grant	Special Investigations Fund	Total
Revenues:					
Taxes					
Gross receipts	\$ -	-	-	-	228,813
Other	-	-	-	-	258,020
Licenses and permits	-	-	-	-	4,370
Charges for services	8,987	7,926	2,130	-	37,395
Intergovernmental revenue					
State grants	-	-	-	-	112,352
Interest income	-	-	-	-	396
Miscellaneous income	-	475	-	-	550
Total revenues	<u>8,987</u>	<u>8,401</u>	<u>2,130</u>	<u>-</u>	<u>641,896</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	1,000	104,198
Public works	-	-	-	-	194,132
Culture and recreation	42,940	21,956	21,378	-	178,843
Health and welfare	-	-	-	-	7,062
Capital outlay	-	-	-	-	7,274
Debt service					
Principal	-	-	-	-	20,201
Interest	-	-	-	-	2,144
Total expenditures	<u>42,940</u>	<u>21,956</u>	<u>21,378</u>	<u>1,000</u>	<u>513,854</u>
Excess (deficiency) of revenues over (under) expenditures	(33,953)	(13,555)	(19,248)	(1,000)	128,042
Other financing sources (uses):					
Transfers in	39,500	5,000	-	5,000	130,500
Transfers out	-	-	-	-	(73,000)
Total other financing sources (uses):	<u>39,500</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>57,500</u>
Net change in fund balances	5,547	(8,555)	(19,248)	4,000	185,542
Beginning fund balance	<u>6,456</u>	<u>107,782</u>	<u>22,100</u>	<u>-</u>	<u>782,017</u>
Ending fund balance	<u>\$ 12,003</u>	<u>99,227</u>	<u>2,852</u>	<u>4,000</u>	<u>967,559</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, 2019

	CDBG Funds	2017 CDBG Funds	2007-2008 Co-Op	Waste Water Reuse Fund	Water Project Fund	2018 Colonias Project
Revenues:						
Miscellaneous income	\$ -	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	1,087	4,542	-	-	-	6,990
Culture and recreation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Capital outlay	-	5,815	-	-	-	-
Debt service						
Principal	-	-	-	4,000	-	-
Interest	-	-	-	9,815	-	-
Total expenditures	<u>1,087</u>	<u>10,357</u>	<u>-</u>	<u>13,815</u>	<u>-</u>	<u>6,990</u>
Excess (deficiency) of revenues over (under) expenditures	(1,087)	(10,357)	-	(13,815)	-	(6,990)
Other financing sources (uses):						
Transfers in	-	-	-	29,504	-	62,567
Transfers out	-	-	-	(250,834)	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>(221,330)</u>	<u>-</u>	<u>62,567</u>
Net change in fund balances	(1,087)	(10,357)	-	(235,145)	-	55,577
Beginning fund balance	<u>41,242</u>	<u>59,000</u>	<u>34,075</u>	<u>255,632</u>	<u>-</u>	<u>-</u>
Ending fund balance	<u>\$ 40,155</u>	<u>48,643</u>	<u>34,075</u>	<u>20,487</u>	<u>-</u>	<u>55,577</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, 2019**

	<u>SP-1-19 Co- op Fund</u>	<u>MAP (908)</u>	<u>Totals</u>
Revenues:			
Intergovernmental revenue			
State grants	\$ 40,461	150,000	190,461
Total revenues	<u>40,461</u>	<u>150,000</u>	<u>190,461</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	12,619
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	5,970	16,156	27,941
Debt service			
Principal	-	-	4,000
Interest	-	-	9,815
Total expenditures	<u>5,970</u>	<u>16,156</u>	<u>54,375</u>
Excess (deficiency) of revenues over (under) expenditures	34,491	133,844	136,086
Other financing sources (uses):			
Transfers in	13,487	50,000	155,558
Transfers out	-	-	(250,834)
Total other financing sources (uses):	<u>13,487</u>	<u>50,000</u>	<u>(95,276)</u>
Net change in fund balances	47,978	183,844	40,810
Beginning fund balance	<u>-</u>	<u>-</u>	<u>389,949</u>
Ending fund balance	<u>\$ 47,978</u>	<u>183,844</u>	<u>430,759</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, 2019

	<u>Debt Service Fund</u>	<u>Debt Service Fund - NMFA</u>	<u>Totals</u>
Revenues:			
Interest income	\$ 2,053	-	2,053
Miscellaneous income	-	-	-
Total revenues	<u>2,053</u>	<u>-</u>	<u>2,053</u>
Expenditures:			
Current:			
General government	-	1,780	1,780
Debt service			
Principal	75,000	-	75,000
Interest	<u>3,750</u>	<u>-</u>	<u>3,750</u>
Total expenditures	<u>78,750</u>	<u>1,780</u>	<u>80,530</u>
Excess (deficiency) of revenues over (under) expenditures	(76,697)	(1,780)	(78,477)
Other financing sources (uses):			
Transfers in	-	6,378	6,378
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>6,378</u>	<u>6,378</u>
Net change in fund balances	(76,697)	4,598	(72,099)
Beginning fund balance	<u>273,932</u>	<u>460</u>	<u>274,392</u>
Ending fund balance	<u>\$ 197,235</u>	<u>5,058</u>	<u>202,293</u>

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

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2019**

	<u>Balance 6/30/2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2014</u>
Drug Court				
Assets:				
Cash	\$ 2,600	400	(2,324)	676
Total assets	<u>\$ 2,600</u>	<u>400</u>	<u>(2,324)</u>	<u>676</u>
Liabilities:				
Accounts payable	\$ 100	-	-	100
Held for others	2,500	400	(2,324)	576
Total liabilities	<u>\$ 2,600</u>	<u>400</u>	<u>(2,324)</u>	<u>676</u>
Crime Stoppers				
Assets:				
Cash	\$ 18,259	1,975	(500)	19,734
Total assets	<u>\$ 18,259</u>	<u>1,975</u>	<u>(500)</u>	<u>19,734</u>
Liabilities:				
Accounts payable	\$ -	-	-	-
Held for others	18,259	1,975	(500)	19,734
Total liabilities	<u>\$ 18,259</u>	<u>1,975</u>	<u>(500)</u>	<u>19,734</u>
Total agency funds				
Assets:				
Cash	\$ 20,859	2,375	(2,824)	20,410
Total assets	<u>\$ 20,859</u>	<u>2,375</u>	<u>(2,824)</u>	<u>20,410</u>
Liabilities:				
Accounts payable	\$ 100	-	-	100
Held for others	20,759	2,375	(2,824)	20,310
Total liabilities	<u>\$ 20,859</u>	<u>2,375</u>	<u>(2,824)</u>	<u>20,410</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, 2019

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Grant Number</u>	<u>Federal Awards Expended</u>	<u>Payments to Sub-recipients</u>
U.S. Department of Homeland Security				
Passed through NM Department of Homeland Security and Hidalgo County				
Homeland Security Grant Program	97.067	EMW-2018-SS-00152-801 - Hidalgo County	222,920	-
U.S. Department of Transportation				
Passed through NM Department of Transportation Highway Planning and Construction				
	20.205	COOP CN 1101090	173,655	-
Department of Housing and Urban Development				
Public Housing Capital Fund	14.872	NM02P034501-13	248,225	-
Public and Indian Housing	14.850	NM034-00000114D	361,942	-
Total			<u>\$ 1,006,742</u>	<u>-</u>

* Major program

Note 1 - Basis of Presentation

The above Schedule of Expenditures of federal awards includes the federal grant activity of the City of 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, 2019.

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	\$ 1,006,742
Total expenditures funded by other sources	<u>5,627,980</u>
Total expenditures of governmental and proprietary funds	<u>\$ 6,634,722</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FUND BALANCES
As of June 30, 2019**

	<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:				
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Subtotal nonspendable funds	\$ -	-	-	-
Restricted for:				
Operate/maintain recreational facilities	-	-	12,003	12,003
Economic development efforts	-	-	396,398	396,398
Various capital project efforts	-	17,453	430,759	448,212
Road improvements	-	-	318,744	318,744
Debt service requirements	-	-	202,293	202,293
Fire fighting efforts/equipment	-	-	66,381	66,381
Public safety and law enforcement efforts	-	-	3,857	3,857
Operate/maintain cemetery	-	-	64,097	64,097
Animal welfare programs	-	-	2,852	2,852
Subtotal restricted funds	-	17,453	1,497,384	1,514,837
Committed to:				
Operate/maintain recreational facilities	-	-	99,227	99,227
DFA required reserves	298,193	-	-	298,193
Subtotal committed funds	298,193	-	99,227	397,420
Assigned to:				
Public safety and law enforcement efforts	-	-	4,000	4,000
Subtotal assigned funds	-	-	4,000	4,000
Unassigned	1,126,875	-	-	1,126,875
	\$ 1,425,068	17,453	1,600,611	3,043,132

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF DEPOSITORIES
As of June 30, 2019**

<u>Account name</u>	<u>Type</u>	<u>Western Bank</u>	<u>Xpress Deposit</u>	<u>NMFA</u>	<u>Plus Deposits in Transit</u>	<u>Less O/S Checks</u>	<u>Balance Per Books</u>
General operating	CK*	\$ 600,049	-	-	9,542	(35,990)	573,601
Overnight acct	CK*	231,753	-	-	-	(46)	231,707
CDBG 2017 water impr	CK*	24,431	-	-	-	-	24,431
Crime Stoppers Acct	CK*	19,734	-	-	-	-	19,734
WW debt service	CK*	29,343	-	-	-	-	29,343
Debt service	CK*	177,687	-	-	-	-	177,687
Housing - General account	CK*	328,306	-	-	145	(36,567)	291,884
City CDs	CD*	4,886,753	-	-	-	-	4,886,753
Xpress deposit account	CK*	-	2,394	-	-	-	2,394
NMFA Debt service reserves	CK*	-	-	170,760	-	-	170,760
Total cash and equivalents		<u>6,298,056</u>	<u>2,394</u>	<u>170,760</u>	<u>9,687</u>	<u>(72,603)</u>	<u>6,408,294</u>
Total amount on deposit		6,298,056	2,394	170,760	<u>9,687</u>	<u>(72,603)</u>	<u>6,408,294</u>
FDIC coverage		<u>(250,000)</u>	<u>(2,394)</u>	<u>(170,760)</u>			
Total uninsured public funds		6,048,056	-	-			
50% collateral requirement (Section 6-10-17 NMSA-1978)		3,024,028	-	-			
Pledge security		3,719,060	-	-			
See NMFA audited financials			-	-			
Amount (over)/under collateralized		<u>\$ (695,032)</u>	<u>-</u>	<u>-</u>			

* denotes interest bearing account

STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY
As of June 30, 2019

Cusip ID	Description/ Maturity	Coupon	S&P Rating	Pledged Percent	Pledged	
					Par	Market Value
Western Bank - For City of Lordsburg						
<i>Safekeeping Location - FHLB: Fed Home Loan Bank</i>						
189414HN8	CLOVIS N MEX SCHOOL DISTRICT SERIES 2011 8/1/2025	3.50	N/A	100%	500,000	510,970
297326EG1	ESTANCIA N MEX SCHOOL DISTRICT GO BONDS SERIES 2010 6/15/2022	3.50	N/A	100%	50,000	53,847
545562QX1	LOS LUNAS SCHOOL DISTRICT GO BONDS 7/15/2023	2.70	N/A	100%	675,000	697,424
581615DJ7	MC KINLEY CNTY N MEX GROSS RCPTS TAX REV IMPT 6/1/2023	4.00	N/A	100%	340,000	348,537
801889LT1	SANTA FE CNTY N MEX 7/1/2021	4.00	AA	100%	250,000	250,075
3137AFCK8	FHR 3926 NT 11/15/2040			100%	55,116	56,831
3137BDC46	FHR 4377KA 12/15/2047	3.50	N/A	100%	507,072	522,809
31397UD97	FNR 2011-64PB 2/25/2041	4.50	N/A	100%	617,689	640,507
3617GCFS8	GNMA II 12/20/2067		N/A	100%	232,800	236,903
Western Bank - For City of Lordsburg Housing Authority						
<i>Safekeeping Location - FHLB: Fed Home Loan Bank</i>						
3128MDYM9	FG G15016 4/1/2026	4.50	N/A	100%	49,929	51,954
31397UDJ5	FNR 2011-52KA 4/25/2040	5.00	N/A	100%	339,393	349,203
					\$ <u>3,616,999</u>	<u>3,719,060</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, 2019**

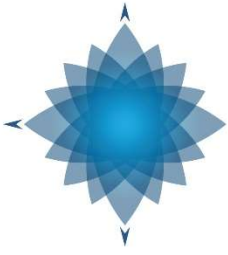
<u>Line Item</u>	<u>Description</u>	<u>Total</u>
111	Cash-unrestricted	\$ 282,184
114	Cash-tenant security deposits	9,700
100	Total cash	<u>291,884</u>
122	Accounts receivable - HUD other projects	372,938
126	Accounts receivable - tenants	2,693
126.1	Allowance for doubtful accounts – tenants	(1,562)
128	Fraud Recovery	5,089
120	Total receivables, net of allowance for doubtful accounts	<u>379,158</u>
150	Total current assets	671,042
161	Land	100,000
162	Buildings	5,025,138
164	Furniture, equipment and machinery - administration	122,909
166	Accumulated depreciation	(3,597,930)
167	Construction in Progress	315,423
160	Total capital assets, net of a/d	<u>1,965,540</u>
180	Total non-current assets	<u>1,965,540</u>
190	Total Assets	<u>2,636,582</u>
200	Deferred outflows of resources	<u>55,080</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 2,691,662</u>
312	Accounts payable <= 90 days	\$ 4,850
322	Accrued compensated absences - current portion	3,352
341	Tenant security deposits	9,700
342	Unearned revenue	437
310	Total current liabilities	<u>18,339</u>
354	Accrued compensated absences - non-current	-
357	Accrued Pension and OPEB Liabilities	180,164
300	Total liabilities	<u>198,503</u>
400	Deferred Inflows of Resources	<u>14,230</u>
508.1	Invested in capital assets, net of related debt	1,965,540
511.4	Restricted net position	-
512.4	Unrestricted net position	513,389
513	Total equity- net position	<u>2,478,929</u>
600	Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,691,662</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, 2019**

Line Item	Description	Low Rent 14.850	CFP 14.872	Total
70300	Net tenant rental revenue	\$ 263,594	-	263,594
70400	Tenant revenue - other	2,345	-	2,345
70500	Total tenant revenue	<u>265,939</u>	-	<u>265,939</u>
70600	HUD PHA operating grants	351,027	10,915	361,942
70610	Capital grants	-	248,225	248,225
71100	Investment income - unrestricted	46	-	46
70000	Total revenue	<u>617,012</u>	<u>259,140</u>	<u>876,152</u>
91100	Administrative salaries	54,041	-	54,041
91200	Auditing fees	4,000	-	4,000
91300	Management fee	44,816	-	44,816
91500	Employee benefit contributions - administrative	17,983	-	17,983
91800	Travel	589	-	589
91900	Other	24,307	-	24,307
91000	Total operating – administrative	<u>145,736</u>	-	<u>145,736</u>
93100	Water	104,341	-	104,341
93200	Electricity	7,106	-	7,106
93300	Gas	44,934	-	44,934
93000	Total utilities	<u>156,381</u>	-	<u>156,381</u>
94100	Ordinary maintenance and operations - labor	73,711	-	73,711
94200	Ordinary maintenance and operations-materials	43,428	-	43,428
94300	Ordinary maintenance and operations contracts	47,744	-	47,744
94500	Employee benefit contributions - ordinary maintenance	18,115	-	18,115
94000	Total maintenance and operations	<u>182,998</u>	-	<u>182,998</u>
96110	Property insurance	4,588	-	4,588
96130	Workmen's compensation	141	-	141
96100	Total insurance premiums	<u>4,729</u>	-	<u>4,729</u>
96200	Other general expenses	22,179	-	22,179
96200	Bad debt - tenant rents	15,616	-	15,616
96000	Total other general expenses	<u>37,795</u>	-	<u>37,795</u>
96900	Total operating expenses	527,639	-	527,639
97000	Excess revenues over operating expenses	89,373	259,140	348,513
97400	Depreciation expense	86,739	-	86,739
90000	Total expenses	<u>614,378</u>	-	<u>614,378</u>
100.1	Operating transfers in	10,915	-	10,915
100.2	Operating transfers out	-	(10,915)	(10,915)
101	Total other financing sources (uses)	10,915	(10,915)	-
10000	Excess (deficiency) of revenues over (under) expenses	13,549	248,225	261,774
11030	Beginning net position	2,117,659	33,854	2,151,513
11040	Prior Period Adjustments	(79,822)	145,464	65,642
	Net position at end of year	<u>\$ 2,051,386</u>	<u>427,543</u>	<u>2,478,929</u>
11190	Unit Months Available	1,200	-	1,200
11210	Number of Unit Months Leased	1,100	-	1,100
11270	Excess Cash	\$ 609,576	-	609,576
11620	Land Purchases	\$ 49,861	248,225	298,086

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

Brian S. Colón
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 comparison of the general fund of the City of Lordsburg, State of New Mexico, as of and for the year ended June 30, 2019, 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 12, 2019.

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: 2019-001.

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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002.

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.

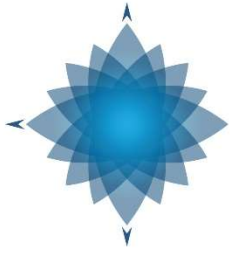
Purpose of this Report

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 12, 2019



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

Brian S. Colón
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, 2019. 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, State of New Mexico, 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, 2019.

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 a 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 12, 2019

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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? | Yes |

Federal Awards:

- | | |
|---|-----------------------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. Identification of major programs: | |
| CFDA | |
| <u>Number</u> | <u>Federal Program</u> |
| 14.850 | Public and Indian Housing |
| 14.872 | Public Housing Capital Fund |
| 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, 2019**

<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>
SECTION II - FINANCIAL STATEMENT FINDINGS	
<u>Prior Year Findings</u>	
2017-001 – MAINTENANCE OF HOUSING GENERAL LEDGER	Resolved
2018-001 – HOUSING AUTHORITY RECEIVABLES	Resolved
2018-003 – ADMINISTRATION OF COMPENSATED ABSENCES	Resolved
2018-004 – PERA CALCULATIONS	Resolved
2018-005 – MUNICIPAL COURT CASH ACCOUNT	Resolved
2018-006 – HOUSING AUTHORITY SECURITY DEPOSITS	Resolved
<u>Current Year Findings</u>	
2019-001 – CONTROLS OVER FINANCIAL REPORTING	Current
SECTION III - FEDERAL AWARD FINDINGS	
<u>Prior Year Findings</u>	
2018-007 – TENANT FILES	Resolved
2018-008 – CREDIT CARD PURCHASES	Resolved
<u>Current Year Findings</u>	
No new current year findings	
SECTION IV - SECTION 12-6-5 NMSA 1978 (2.2.2.10 (L)(1)(C) NMAC FINDINGS	
<u>Prior Year Findings</u>	
2018-002 – TRAVEL AND PER DIEM	Repeated/Modified
<u>Current Year Findings</u>	
No new current year findings	

SECTION II - FINANCIAL STATEMENT FINDINGS

UNRESOLVED PRIOR YEAR FINDINGS

No unresolved prior year findings

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

2019-001 – CONTROLS OVER FINANCIAL REPORTING – Material Weakness

Statement of Condition

Following the commencement of audit fieldwork, a total of 36 adjusting entries were necessary to properly report the City’s books under the modified-accrual and full accrual basis of accounting for the fund financials (26 entries) and government-wide (10 entries) financial stmts. These entries collectively increased the City’s net position by \$343,448 at the fund financial level and by \$13,945 at the government-wide financial statement level.

The majority of these adjustments were related to end-of-year accruals and deferrals related to receivables, payables, long-term debt, and pension related balances. The City did provide data on

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

certain receivable, payable, and payroll liability balances at year end, however they did not fully identify all necessary adjustments to bring the accounts into compliance with the accrual basis of accounting which resulted in the necessity make the audit adjustments.

Criteria

Some of the key underlying concepts of AU-C 265 Communicating Internal Control Related Matters Identified in an audit:

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

Financial Close and the recording of these adjustments are considered significant processes of internal control and should be performed by the City's staff or addressed as nonaudit procedures to be performed by the auditor, but all threats to independence must be properly mitigated according to independence requirements.

Effect

There is an increased risk that a misstatement of the City 's financial statements, that is more than inconsequential, will not be prevented or detected. As a result, the year-end financial statements reviewed by management and the governing body may be materially inaccurate.

Cause

The City did not have an effective process for identifying and correcting material adjustments to the accounting records to ensure the reported balances are correct.

Recommendation

Management should implement financial reporting processes that provide assurance that internally generated financial information is complete and accurate.

Response

The City will obtain a better understanding of the necessary accruals required at year end to properly report the City's financial position. We will seek additional training and guidance from outside accountants to better identify these accruals in the future to ensure they are included in our year-end financial statements. The City expects to have this completed by June 2020. Training and compliance will be monitored by the Finance Officer.

SECTION III - FEDERAL AWARD FINDINGS

PRIOR YEAR FINDINGS

No unresolved prior year federal award findings.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

CURRENT YEAR FEDERAL AWARD FINDINGS

No new current year federal award findings.

SECTION IV - SECTION 12-6-5 NMSA 1978 (2.2.2.10 (L)(1)(C) NMAC FINDINGS

PRIOR YEAR FINDINGS

2018-002 – TRAVEL AND PER DIEM – Finding that does not rise to the level of a significant deficiency

Statement of Condition

During the course of the audit, we performed tests of travel and per diem expenditures. Our sample contained the following discrepancies:

- On 1 out of 15 transactions tested, the travel voucher was missing a signature from the approving official.
- On 5 of 15 transactions tested, it was identified that the City was paying per diem of \$30/day regardless of actual expenditures incurred by the employee. Additionally, no receipts for the actual expenditures were on file for these reimbursements.

This is a repeat finding from the prior year. During the year ended June 30, 2019, the City changed the individual tasked with ensuring compliance on travel reimbursement, however the new person did not fully understand the travel and per diem rules regarding the payment of when per diem should be paid versus actual expenses.

Criteria

The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Effect

Non-compliance with the state of New Mexico's Per Diem and Mileage Act subjects' officials and employees to penalties as required by state statutes.

Cause

The City staff did not have a complete understanding of the Per Diem and Mileage Act.

Recommendation

We recommend the City review the Per Diem and Mileage Act to ensure compliance with the Act. Further, we recommend City re-evaluate its internal control procedures over the calculation and reimbursement amounts for employee travel and per diem.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Response

City of Lordsburg has a better understanding of travel and per diem policies after attending the recent budget conference by DFA. The City now understands the employees must choose either actuals or per diem. Authorizing officials will verify all travel has authorized signatures for each employee traveling. The City Clerk and Finance Officer will ensure vouchers are signed as the final process. This process will be implemented by the end of December 2019 and will be monitored by the Finance Officer.

CURRENT YEAR NMSA FINDINGS

No new current year NMSA findings.

**STATE OF NEW MEXICO
CITY OF LORDSBURG
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2019**

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 12, 2019. The following individuals were in attendance.

City of Lordsburg Officials

Robert Barrera	Mayor; Chairman – Lordsburg Housing Authority
Martha Salas	Finance Officer

Integrity Accounting & Consulting

Erick Robinson, CPA, CFE	Partner
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