

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
JUNE 30, 2007



**STATE AUDITOR
STATE OF NEW MEXICO
OFFICE COPY**

INTRODUCTORY SECTION



**RECEIVED
MAR - 3 2008
STATE AUDITOR**

OFFICE COPY
STATE OF NEW MEXICO
STATE AUDITOR

(This page intentionally left blank)





OFFICE OF THE STATE AUDITOR

Hector H. Balderas

March 14, 2008

SAO Ref. No. 6176

The Honorable Lori S. Montgomery, Mayor
City of Truth or Consequences
505 Sims Street
Truth or Consequences, NM 87901-2724

SUBJECT: Audit Report—City of Truth or Consequences—2006-2007 Fiscal Year—Prepared by
Accounting & Consulting Group, LLP

Your agency audit report was received by the Office of the State Auditor (Office) on December 3, 2007. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, **the audit report does not become public record until ten days after the date of this letter.** Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, and the Department of Finance and Administration; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies.*

The independent public accountant's findings and comments are included in the audit report on pages 126 - 133. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.**

HECTOR H. BALDERAS
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration-
Local Government Division
Accounting & Consulting Group, LLP

STATE OF NEW MEXICO
City of Truth or Consequences
Official Roster
June 30, 2007

CITY COMMISSION

<u>Name</u>	<u>Title</u>
Lori S. Montgomery	Mayor
Jerry Stagner	Mayor Pro-Tem
Jimmy Rainey	Commissioner
Evelyn B. Renfro	Commissioner
Freddie Torres	Commissioner

ADMINISTRATION

Thomas Hawkins	Judge
Jaime R. Aguilera	City Manager
Mary B. Penner	City Clerk
Ellen Evans	Finance Director
Jay Rubin	City Attorney

STATE OF NEW MEXICO
City of Truth or Consequences
Annual Financial Report
For the Year Ended June 30, 2007

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Official Roster		5
Table of Contents		6-7
FINANCIAL SECTION		
Independent Auditors' Report		10-11
Management's Discussion and Analysis		13-19
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Statement of Net Assets	A-1	22-23
Statement of Activities	A-2	24-25
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	26-27
Reconciliation of the Balance Sheet to the Statement of Net Assets		29
Statement of revenues, Expenditures, and		
Changes in Fund Balances – Governmental Funds	B-2	30-31
Reconciliation of the Statement of Revenues, Expenditures and		
Changes in Fund Balances of Governmental Funds to the		
Statement of Activities		33
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund	C-1	34
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Budget (Non-GAAP Basis) and Actual – Electrical		
Construction Special Revenue Fund	C-2	35
Statement of Net Assets-Proprietary Funds	D-1	36-37
Statement of Revenues, Expenses, and		
Changes in Net Assets-Proprietary Funds	D-2	38-39
Statement of Cash Flows –Proprietary Funds	D-3	40-41
Statement of Revenues, Expenditures, and Changes		
in Fund Balance – Budget (GAAP Basis) and Actual		
NOTES TO THE FINANCIAL STATEMENTS		43-67
SUPPLEMENTARY INFORMATION		
	<u>Statement</u>	
Nonmajor Fund Descriptions		73
Combining and Individual Fund Statements and Schedules		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	74-77
Combining Statement of Revenues, Expenditures, and Changes in		
Fund Balances – Nonmajor Governmental Funds	A-2	78-81

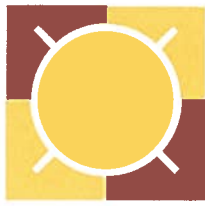
STATE OF NEW MEXICO
City of Truth or Consequences
Annual Financial Report
For the Year Ended June 30, 2007

TABLE OF CONTENTS

	<u>Statement</u>	<u>Page</u>
SUPPLEMENTARY INFORMATION (CONTINUED)		
Nonmajor Fund Descriptions		
Statement of Revenues, Expenditures, and Changes in Fund Balances – continued		
Fire Fund Special Revenue Fund	B-1	83
Recreation Fund Special Revenue Fund	B-2	84
Correction Fees Fund Special Revenue Fund	B-3	85
Law Enforcement Fund Special Revenue Fund	B-4	86
Lodgers' Tax Fund Special Revenue Fund	B-5	87
Municipal Streets Fund Special Revenue Fund	B-6	88
Veteran's Wall Fund Special Revenue Fund	B-7	89
DWI Grant Fund Special Revenue Fund	B-8	90
State Library Fund Special Revenue Fund	B-9	91
Veteran's Wall Perpetual Care Special Revenue Fund	B-10	92
CDBG Grant Fund Special Revenue Fund	B-11	93
Law Enforcement Block Grant Special Revenue Fund	B-12	94
Effluent Water Fund Capital Projects Fund	B-13	95
Senior Transportation Fund Capital Projects Fund	B-14	96
Capital Expenditure Capital Projects Fund	B-15	97
Morgan Street Flood Control Fund Capital Projects Fund	B-16	98
R & R Emergency Fund Capital Projects Fund	B-17	99
FAA Project Fund Capital Projects Fund	B-18	100
Debt Service Fund	B-19	101
Joint Utility Fund	C-1	103
Solid Waste Fund	C-2	104
Cemetery Fund	C-3	105
Golf Course Fund	C-4	106
Airport Fund	C-5	107
	<u>Schedule</u>	
SUPPORTING SCHEDULES		
Schedule of Collateral Pledged by Depository for Public Funds	I	111
Schedule of Cash and Temporary Investment Accounts	II	112-113
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		116-117
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133		120-121
Schedule of Expenditures of Federal Awards	III	123
Schedule of Findings and Questioned Costs	IV	125-135
Other Disclosures		135

(This page intentionally left blank)

FINANCIAL SECTION



Accounting & Consulting Group, LLP

INDEPENDENT AUDITORS' REPORT

Hector H Balderas
New Mexico State Auditor
The Office of Management and Budget
Santa Fe, New Mexico
and
Lori S. Montgomery, Mayor
City Commission Members
City of Truth or Consequences
Truth or Consequences, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Truth or Consequences, New Mexico as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental funds and the budgetary comparisons for the major debt service fund, enterprise funds, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of City of truth or Consequences, New Mexico's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Truth or Consequences, New Mexico as of June 30, 2007, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the general fund and electrical construction special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respect, the respective financial position of each nonmajor governmental fund of the City of Truth or Consequences, New Mexico, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparisons for the major debt service fund, enterprise funds, and the remaining nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

2700 San Pedro Northeast (87110-3333) ■ P.O. Box 3130, Albuquerque, New Mexico 87190-3130
866.307.2727 ■ 505.883.2727 ■ Fax 505.884.6719 ■ albuquerque.office@acgnm.com ■ www.acgnm.com

Alamogordo ■ Albuquerque ■ Carlsbad ■ Clovis ■ Hobbs

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007 on our consideration of the City of Truth or Consequences, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 9 through 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The accompanying financial information listed as supporting Schedules I and II in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Truth or Consequences, New Mexico. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and each of the City's nonmajor governmental funds financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements and each of the City's nonmajor governmental funds financial statements, taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Accounting + Consulting Group, LLP

Albuquerque, New Mexico
December 3, 2007

(This page intentionally left blank)

STATE OF NEW MEXICO
City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2007

As management of City of Truth or Consequences, we offer readers of City of Truth or Consequences financial statements this narrative overview and analysis of the financial activities of City of Truth or Consequences for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the financial statements of City of Truth or Consequences and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of City of Truth or Consequences exceeded its liabilities at the close of the most recent fiscal year by \$14,017,154 (*net assets*). Of this amount, \$4,828,235, (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$82,556 during the fiscal year. The majority of this increase is due to decrease in expenses for the year ended June 30, 2007 while also increasing revenues.
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$3,738,615. Of this total, \$793,302 is restricted for debt service and capital projects.
- At the close of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$1,275,168, or 32 percent of total general fund expenditures.
- City of Truth or Consequences' total debt increased by \$479,756 during the current fiscal year as a result of \$1,071,657 of new loans and \$338,157 in bond and loan payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Truth or Consequences' basic financial statements. City of Truth or Consequences' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of City of Truth or Consequences' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of City of Truth or Consequences is improving, or deteriorating.

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

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

The government-wide financial statements can be found at exhibits A-1 and A-2 of this report.

STATE OF NEW MEXICO
City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2007

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

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

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

City of Truth or Consequences maintains twenty-one individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and Electrical Construction Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

City of Truth or Consequences adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the nonmajor governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found at exhibits B-1 through D-3 of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains five types of proprietary fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-60 of this report.

Combining statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 64-71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the fourth year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*

STATE OF NEW MEXICO
City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2007

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of City of Truth or Consequences, assets exceeded liabilities by \$14,017,154 at the close of the current fiscal year.

The largest portion of City of Truth or Consequences' net assets represents the City's investment of \$8,190,841 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment), less any related outstanding debt used to acquire those assets. City of Truth or Consequences uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although City of Truth or Consequences' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Truth or Consequences' NET ASSETS*

	Governmental Activities		Business-type Activities		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Current and other assets	\$ 3,071,975	\$ 2,875,328	\$ 3,732,868	\$ 3,581,502	\$ 6,804,843	\$ 6,456,830
Capital assets, net of accum. depreciation	<u>7,248,533</u>	<u>7,442,196</u>	<u>6,835,999</u>	<u>6,484,446</u>	<u>14,084,532</u>	<u>13,926,642</u>
Total assets	<u>10,320,508</u>	<u>10,317,524</u>	<u>10,568,867</u>	<u>10,065,948</u>	<u>20,889,375</u>	<u>20,383,472</u>
Long-term liabilities outstanding	2,434,136	1,300,012	3,634,141	4,149,730	6,068,277	5,449,742
Other liabilities	<u>(600,141)</u>	<u>448,443</u>	<u>1,404,085</u>	<u>762,954</u>	<u>803,944</u>	<u>1,211,397</u>
Total liabilities	<u>1,833,995</u>	<u>1,748,455</u>	<u>5,038,226</u>	<u>4,912,684</u>	<u>6,872,221</u>	<u>6,661,139</u>
Net assets	<u>\$ 8,486,513</u>	<u>\$ 8,569,069</u>	<u>\$ 5,530,641</u>	<u>\$ 5,153,264</u>	<u>\$ 14,017,154</u>	<u>\$ 13,722,333</u>

A portion of City of Truth or Consequences' governmental net assets (7 percent) represents resources that are subject to restrictions. The restrictions relate to covenants provided by the City's long-term debt issuance and capital projects. The remaining balance of *unrestricted net assets*, \$998,078 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, City of Truth or Consequences is able to report positive balances in all three categories of net assets, for the government as a whole as well as for the business-type activities.

Analysis of Changes in Net Assets

The City's net assets overall increased by \$294,821 during the current fiscal year. The majority of this increase resulted from the completion of on-going building construction in progress .

STATE OF NEW MEXICO
City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2007

Governmental activities. Governmental activities increased City of Truth or Consequences' net assets by \$82,556. The key elements of this increase are as follows:

- The total expenses for governmental activities decreased by \$34,912 due to primarily to a decrease in general government expenditures due to overall decrease in cost of operations.
- The total revenue for governmental activities decrease by \$336,545 due to a decrease in intergovernmental revenue. This decrease was offset by an increase of transfer in of \$535,999.

Business-type activities. Business-type activities increased the City's net assets by \$377,377.

- Revenue increased \$1,089,795 due to a increase in taxes, grant revenues and charges for services. This increase was offset by a increase in transfer out of \$535,999.

**Changes in Net Assets
For the Year Ended June 30, 2007**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenues						
Taxes	\$ 2,720,229	\$ 2,676,277	\$ 443,931	\$ 50,236	\$ 3,164,160	\$ 2,726,513
Intergovernmental	1,270,472	1,642,050	722,782	378,900	1,993,254	2,020,950
Charges for services	213,202	227,335	7,371,402	7,002,990	7,584,604	7,230,325
Other	60,903	55,689	62,129	78,323	123,032	134,012
Total revenue	<u>4,264,806</u>	<u>4,601,351</u>	<u>8,600,244</u>	<u>7,510,449</u>	<u>12,865,050</u>	<u>12,111,800</u>
Expenses						
General government	1,136,760	1,535,731	-	-	1,136,760	1,535,731
Public safety	1,776,872	1,414,425	-	-	1,776,872	1,414,425
Public works	2,318,009	2,221,318	-	-	2,318,009	2,221,318
Culture and recreation	557,245	531,444	-	-	557,245	531,444
Health and welfare	200,057	222,380	-	-	200,057	222,380
Interest on long-term debt	128,461	227,018	-	-	128,461	227,018
Joint Utility	-	-	5,792,898	5,390,988	5,792,898	5,390,988
Solid waste	-	-	125,133	106,696	125,133	106,696
Cemetery	-	-	3,605	9,293	3,605	9,293
Golf Course	-	-	112,307	109,521	112,307	109,521
Airport	-	-	254,668	203,132	254,668	203,132
Total expenses	<u>6,117,404</u>	<u>6,152,316</u>	<u>6,288,611</u>	<u>5,819,630</u>	<u>12,406,015</u>	<u>11,971,946</u>
Transfers	<u>2,213,480</u>	<u>1,677,481</u>	<u>(2,213,480)</u>	<u>(1,677,481)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ 360,882</u>	<u>\$ 126,516</u>	<u>\$ 98,153</u>	<u>\$ 13,338</u>	<u>\$ 459,035</u>	<u>\$ 139,854</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2007

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, City of Truth or Consequences uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of City of Truth or Consequences' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing City of Truth or Consequences' financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year, City of Truth or Consequences' governmental funds reported combined ending fund balances of \$3,738,615, an increase of \$1,164,099 in comparison with the prior year. The increase is primarily due to a increase of \$1,032,824 in transfers over the prior year. Approximately 41 percent of the ending fund balance, \$1,533,119, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to pay debt service \$735,480 and (2) to pay for subsequent year's capital projects \$57,822.

Revenues for governmental functions overall totaled approximately \$4,264,806 in the fiscal year ended June 30, 2007, which represents a decrease of \$22,352 from the fiscal year ended June 30, 2006. This decrease was due mainly to a decrease intergovernmental grants. Expenditures for governmental functions, totaling \$6297,293, increased by approximately \$164,923 from the fiscal year ended June 30, 2006. In the fiscal year ended June 30, 2007, expenditures for governmental functions exceeded revenues by approximately \$2,032,487.

The General Fund is the chief operating fund of City of Truth or Consequences. At the end of the current fiscal year, *unreserved* fund balance of the general fund was also the total fund balance of \$1,275,168.

The fund balance of City of Truth or Consequence's general fund increased by \$226,443 during the current fiscal year, due to transfers in excess of revenues and expenditures. Overall, the general fund's performance resulted in expenditures over revenues in the fiscal year ended June 30, 2007 of \$1,404,792, an increase of \$89,641 over the comparable figure from the prior year of \$1,315,151.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for enterprise funds were \$2,131,392. The total decrease in net assets for the enterprise funds was \$98,153. Factors concerning the finances of this fund have been addressed previously in the discussion of the City's business-type activities. One factor was the weather which resulted in less utility sales.

Fiduciary Funds. The City maintains fiduciary funds for the assets of various agency funds. Changes to the fiduciary funds were immaterial for the fiscal year.

General Fund Budgetary Highlights

City budgets reflect the same pattern as seen in the revenue and expenditures of the City. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the City level, City of Truth or Consequences utilizes goals and objectives defined by the City Commissioners, community input meetings, long term plans and input from various staff groups to develop the City budget. City priorities are well defined through this process.

STATE OF NEW MEXICO
City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2007

The following table examines the summary budget performance of the general fund for the fiscal year ending June 30, 2007. Detailed budget performance is examined through the Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund found at Exhibit C-1. The City's final budget differs from the original budget due to budget increases and decreases that were made during the fiscal year. Net budget increases in the general fund totaled \$137,600 for expenditures. Actual general fund expenditures were \$193,760 less than the final budget amount (favorable variance). This was due primarily to public safety favorable variance of \$120,950.

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Expenditures:</i>				
Current:				
General government	1,286,609	1,274,444	1,235,887	38,557
Public safety	1,267,352	1,311,089	1,190,139	120,950
Public works	970,909	946,681	925,344	21,337
Culture and recreation	388,768	426,904	412,464	14,440
Health and welfare	176,500	241,259	241,258	1
Capital outlay	82,888	110,249	111,774	(1,525)
<i>Total expenditures</i>	<u>4,173,026</u>	<u>4,310,626</u>	<u>4,116,866</u>	<u>193,760</u>

Capital Asset and Debt Administration

Capital assets. City of Truth or Consequence's capital assets for its governmental and business-type activities as of June 30, 2007 amount to \$31,019,937. Capital assets include land, buildings and improvements, equipment, vehicles, and utility plant. The total increase in the City's capital assets for the current fiscal year was \$271,206 for governmental activities and \$977,106 for business-like activities.

The significant additions to capital assets during the year were as follows:

- \$873,054 for improvements and construction to the utility plant of the City
- \$218,502 for the purchase of more vehicles

City of Truth or Consequences
Capital Assets
June 30, 2007

	Governmental		Business-type		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Land	\$ 4,473,897	\$ 4,473,897	\$ 3,218,161	\$ 3,218,161	\$ 7,692,058	\$ 7,692,058
Buildings and improvements	7,164,998	7,126,247	1,989,474	1,974,694	9,154,472	9,100,941
Equipment	1,533,104	1,502,149	3,088,359	3,029,514	4,621,463	4,531,663
Vehicles	1,273,670	1,072,170	1,720,329	1,703,327	2,993,999	2,775,497
Utility plant	-	-	4,544,723	3,671,669	4,544,723	3,671,669
Construction in progress	921,898	921,898	1,091,324	1,077,899	2,013,222	1,999,797
Net capital assets	<u>\$ 15,367,567</u>	<u>\$ 15,096,361</u>	<u>\$ 15,652,370</u>	<u>\$ 14,675,264</u>	<u>\$ 31,019,937</u>	<u>\$ 29,771,625</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

STATE OF NEW MEXICO
City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2007

Debt Administration. At the end of the current fiscal year, City of Truth or Consequences had total debt from outstanding bonds of \$2,799,575 and notes outstanding of \$3,094,116.

The significant additions to long term debt during the year were as follows:

- \$873,106 was drawn down on the NMFA Electrical loan.
- \$110,000 note payable for a fire truck.

City of Truth or Consequences' Outstanding Debt
As of June 30, 2007

	Governmental		Business-type		Total	
	Activities		Activities			
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenue bonds	\$ 1,115,000	\$ 1,200,000	\$ 1,684,575	\$ 1,711,575	\$ 2,799,575	\$ 2,911,575
Notes payable	<u>1,341,941</u>	<u>127,408</u>	<u>1,752,175</u>	<u>2,374,952</u>	<u>3,094,116</u>	<u>2,502,360</u>
	<u>\$ 2,456,941</u>	<u>\$ 1,327,408</u>	<u>\$ 3,436,750</u>	<u>\$ 4,086,527</u>	<u>\$ 5,893,691</u>	<u>\$ 5,413,935</u>

Additional information on the City's long-term debt can be found in Note 7 in the accompanying Notes to the Financial Statements.

There were no known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operation of the City of Truth or Consequences in the foreseeable future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of City of Truth or Consequences' finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Truth or Consequences Administration, City of Truth or Consequences, 505 Sims Street, Truth or Consequences, New Mexico, 87901.

(This page intentionally left blank)

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,836,497	\$ 1,928,218	\$ 4,764,715	\$ 742,924
Prepaid expenses	-	-	-	3,437
Accounts receivable:				11,439
Other taxes	33,300	-	33,300	-
Other receivables	29,974	-	29,974	64,182
Utility receivables	-	748,808	748,808	120,246
Inventory	141,604	1,047,114	1,188,718	7,709
	<u>3,041,375</u>	<u>3,724,140</u>	<u>6,765,515</u>	<u>949,937</u>
Total Current Assets				
Noncurrent Assets				
Restricted cash and cash equivalents	-	-	-	211,511
Capital assets	15,367,567	15,652,370	31,019,937	7,640,470
Less: accumulated depreciation	(8,119,034)	(8,816,371)	(16,935,405)	(4,089,698)
	<u>30,600</u>	<u>8,728</u>	<u>39,328</u>	<u>-</u>
Bond expenses, less amortization of \$37,400 and \$9,683, respectively				
	<u>7,279,133</u>	<u>6,844,727</u>	<u>14,123,860</u>	<u>3,762,283</u>
Total Noncurrent Assets				
Total Assets	<u>\$ 10,320,508</u>	<u>\$ 10,568,867</u>	<u>\$ 20,889,375</u>	<u>\$ 4,712,220</u>

The accompanying notes are an integral part of these financial statements

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit
Liabilities				
Current Liabilities				
Accounts payable	\$ 18,491	\$ 251,552	\$ 270,043	\$ 20,910
Accrued payroll expenses	53,965	22,995	76,960	67,357
Customer deposits	-	73,074	73,074	41,182
Accrued interest	-	46,855	46,855	-
Internal balances	(876,459)	876,459	-	-
Current portion of long-term debt	203,862	133,150	337,012	28,791
Total Current Liabilities	(600,141)	1,404,085	803,944	158,240
Noncurrent Liabilities				
Accrued compensated absences	181,057	135,411	316,468	28,780
Accrued landfill closure costs	-	195,130	195,130	-
Bonds payable	1,020,000	1,684,575	2,704,575	-
Loans and notes payable	1,233,079	1,619,025	2,852,104	1,151,312
Total Noncurrent Liabilities	2,434,136	3,634,141	6,068,277	1,180,092
Total Liabilities	1,833,995	5,038,226	6,872,221	1,338,332
Net Assets				
Invested in capital assets, net of related debt	4,791,592	3,399,249	8,190,841	2,370,669
Restricted for:				-
Debt service	859,259	-	859,259	170,329
Capital projects	138,819	-	138,819	-
Unrestricted	2,696,843	2,131,392	4,828,235	832,890
Total Net Assets	8,486,513	5,530,641	14,017,154	3,373,888
Total Liabilities and Net Assets	\$ 10,320,508	\$ 10,568,867	\$ 20,889,375	\$ 4,712,220

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Activities
For the Year Ending June 30, 2007

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
General government	\$ 1,136,760	\$ 128,286	\$ 202,141	\$ -
Public safety	1,776,872	65,131	268,937	-
Public works	2,318,009	-	509,058	241,945
Culture and recreation	557,245	19,785	48,391	-
Health and welfare	200,057	-	-	-
Interest on long-term debt	128,461	-	-	-
<i>Total governmental activities</i>	<u>6,117,404</u>	<u>213,202</u>	<u>1,028,527</u>	<u>241,945</u>
Business-type Activities:				
Joint Utility	5,792,898	7,092,471	722,782	-
Solid Waste	125,133	-	-	-
Cemetery	3,605	13,495	-	-
Golf Course	112,307	73,502	-	-
Airport	254,668	191,934	-	-
<i>Total business type activities</i>	<u>6,288,611</u>	<u>7,371,402</u>	<u>722,782</u>	<u>-</u>
Total	<u>\$ 12,406,015</u>	<u>\$ 7,584,604</u>	<u>\$ 1,751,309</u>	<u>\$ 241,945</u>
Component unit:				
Housing Authority	<u>\$ 1,598,661</u>	<u>\$ 459,505</u>	<u>\$ 1,016,238</u>	
General Revenues:				
Taxes				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Other taxes				
Investment income				
Miscellaneous income				
Transfers				
Total General Revenues and Transfers				
Change in net assets				
Net assets, beginning				
Net assets, restatement (Note 17)				
Net assets, beginning as restated				
Net assets, ending				

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (806,333)	\$ -	\$ (806,333)	
(1,442,804)	-	(1,442,804)	
(1,567,006)	-	(1,567,006)	
(489,069)	-	(489,069)	
(200,057)	-	(200,057)	
(128,461)	-	(128,461)	
<u>(4,633,730)</u>	<u>-</u>	<u>(4,633,730)</u>	
-	2,022,355	2,022,355	
-	(125,133)	(125,133)	
-	9,890	9,890	
-	(38,805)	(38,805)	
-	(62,734)	(62,734)	
<u>-</u>	<u>1,805,573</u>	<u>1,805,573</u>	
<u>\$ (4,633,730)</u>	<u>\$ 1,805,573</u>	<u>\$ (2,828,157)</u>	
			\$ (122,918)
119,239	-	119,239	-
2,272,887	443,931	2,716,818	-
85,669	-	85,669	-
242,434	-	242,434	-
45,324	30,305	75,629	29,431
15,579	31,824	47,403	24,003
<u>2,213,480</u>	<u>(2,213,480)</u>	<u>-</u>	<u>-</u>
<u>4,994,612</u>	<u>(1,707,420)</u>	<u>3,287,192</u>	<u>53,434</u>
<u>360,882</u>	<u>98,153</u>	<u>459,035</u>	<u>(69,484)</u>
<u>8,569,069</u>	<u>5,153,264</u>	<u>13,722,333</u>	<u>3,443,372</u>
<u>(443,438)</u>	<u>279,224</u>	<u>(164,214)</u>	<u>-</u>
<u>8,125,631</u>	<u>5,432,488</u>	<u>13,558,119</u>	<u>3,443,372</u>
<u>\$ 8,486,513</u>	<u>\$ 5,530,641</u>	<u>\$ 14,017,154</u>	<u>\$ 3,373,888</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Electrical Construction Fund	Debt Service Fund
<i>Assets</i>			
Cash and cash equivalents	\$ 1,295,093	\$ 10,092	\$ 735,480
Receivables:			
Other taxes	33,300	-	-
Other	7,818	-	-
Inventory	56,029	-	-
Due from other funds	3,405	873,054	-
<i>Total assets</i>	<u>\$ 1,395,645</u>	<u>\$ 883,146</u>	<u>\$ 735,480</u>
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 10,483	\$ -	\$ -
Accrued payroll expenses	53,965	-	-
<i>Total liabilities</i>	64,448	-	-
<i>Fund balances</i>			
Reserved for:			
Inventory	56,029	-	-
Unreserved	1,275,168	-	-
Unreserved, designated for subsequent year's expenditures	-	-	-
Unreserved, reported in:			
Capital projects funds	-	-	-
Debt service fund	-	-	735,480
Special revenue funds	-	883,146	-
<i>Total fund balances</i>	1,331,197	883,146	735,480
<i>Total liabilities and fund balances</i>	<u>\$ 1,395,645</u>	<u>\$ 883,146</u>	<u>\$ 735,480</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 774,644	\$ 2,815,309
-	33,300
22,156	29,974
-	56,029
-	876,459
<u>\$ 796,800</u>	<u>\$ 3,811,071</u>
\$ 8,008	\$ 18,491
-	53,965
<u>8,008</u>	<u>72,456</u>
-	56,029
-	1,275,168
80,997	80,997
57,822	57,822
-	735,480
<u>649,973</u>	<u>1,533,119</u>
<u>788,792</u>	<u>3,738,615</u>
<u>\$ 796,800</u>	<u>\$ 3,811,071</u>

(This page intentionally left blank)

STATE OF NEW MEXICO
City of Truth or Consequences
Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2007

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

Fund balances - total governmental funds	\$	3,738,615
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		7,248,533
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:		
Internal service funds are included in proprietary funds for fund financial, but governmental activities for government wide statements		106,763
Unamortized bond expense		30,600
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued compensated absences		(181,057)
Bonds payable		(1,115,000)
Notes payable		(1,341,941)
		<hr/>
Net assets-governmental activities	\$	<u>8,486,513</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending June 30, 2007

	<u>General Fund</u>	<u>Electrical Construction Fund</u>	<u>Debt Service Fund</u>
<i>Revenues:</i>			
Taxes:			
Property	\$ 119,239	\$ -	\$ -
Gross receipts	2,069,479	-	202,969
Gasoline and motor vehicle	-	-	-
Other	99,087	-	-
Intergovernmental:			
Federal operating grants	-	440,000	-
Federal capital grants	-	-	-
State operating grants	162,521	-	-
State capital grants	-	-	-
Charges for services	165,151	-	-
Investment income	6,699	95	26,229
Miscellaneous	11,267	-	-
<i>Total revenues</i>	<u>2,633,443</u>	<u>440,095</u>	<u>229,198</u>
<i>Expenditures:</i>			
Current:			
General government	1,254,394	-	937
Public safety	1,207,652	-	-
Public works	934,341	438,252	-
Culture and recreation	418,783	-	-
Health and welfare	196,568	-	-
Capital outlay	26,497	-	-
Debt service:			
Principal	-	64,534	93,179
Interest	-	50,581	77,880
<i>Total expenditures</i>	<u>4,038,235</u>	<u>553,367</u>	<u>171,996</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,404,792)</u>	<u>(113,272)</u>	<u>57,202</u>
<i>Other financing sources (uses)</i>			
Loan proceeds	-	873,106	-
Transfers in	2,257,661	136,268	-
Transfers out	(626,426)	-	-
<i>Total other financing sources (uses)</i>	<u>1,631,235</u>	<u>1,009,374</u>	<u>-</u>
<i>Net change in fund balances</i>	226,443	896,102	57,202
<i>Fund balance - beginning of year</i>	<u>1,104,754</u>	<u>(12,956)</u>	<u>678,278</u>
<i>Fund balance - end of year</i>	<u>\$ 1,331,197</u>	<u>\$ 883,146</u>	<u>\$ 735,480</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ -	\$ 119,239
439	2,272,887
85,669	85,669
143,347	242,434
-	440,000
141,357	141,357
426,006	588,527
100,588	100,588
48,051	213,202
12,301	45,324
4,312	15,579
<u>962,070</u>	<u>4,264,806</u>
158,619	1,413,950
236,586	1,444,238
828,143	2,200,736
35,761	454,544
-	196,568
244,709	271,206
25,166	182,879
4,711	133,172
<u>1,533,695</u>	<u>6,297,293</u>
<u>(571,625)</u>	<u>(2,032,487)</u>
110,000	983,106
508,426	2,902,355
(62,449)	(688,875)
<u>555,977</u>	<u>3,196,586</u>
(15,648)	1,164,099
<u>804,440</u>	<u>2,574,516</u>
<u>\$ 788,792</u>	<u>\$ 3,738,615</u>

(This page intentionally left blank)

STATE OF NEW MEXICO
City of Truth or Consequences
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ending June 30, 2007

Exhibit B-2
Page 2 of 2

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

Net change in fund balances - total governmental funds	\$ 1,164,099
--	--------------

Governmental funds report capital outlays as expenditures. However in
the statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense:

Capital expenditures	271,206
Depreciation expense	(230,485)

Internal service funds net income is eliminated from the funds	(13,489)
--	----------

The issuance of long-term debt (e.g. bonds, notes, 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 assets. Also, governmental funds
report the effect of issuance costs, premiums, discounts, and similar items when
debt is first issued, whereas these amounts are deferred and amortized in the
statement of activities:

Proceeds from issuance of loans	(983,106)
Increase in the reserve for compensated absences	(30,222)
Principal payments on bonds	85,000
Principal payments on notes payable	97,879
	97,879

Change in net assets of governmental activities	\$ <u><u>360,882</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
General Fund

Exhibit C-1

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ending June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ 125,835	\$ 119,239	\$ (6,596)
Gross receipts	-	2,069,481	2,069,479	(2)
Gasoline and motor vehicle	-	-	-	-
Other	-	119,934	97,228	(22,706)
<i>Intergovernmental:</i>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	175,158	162,521	(12,637)
State capital grants	-	-	-	-
Charges for services	-	176,437	157,333	(19,104)
Licenses and fees	-	-	-	-
Investment income	2,000	6,699	6,699	-
Miscellaneous	9,000	8,045	11,267	3,222
<i>Total revenues</i>	<u>11,000</u>	<u>2,681,589</u>	<u>2,623,766</u>	<u>(57,823)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	1,286,609	1,274,444	1,235,887	38,557
Public safety	1,267,352	1,311,089	1,190,139	120,950
Public works	970,909	946,681	925,344	21,337
Culture and recreation	388,768	426,904	412,464	14,440
Health and welfare	176,500	241,259	241,258	1
Capital outlay	82,888	110,249	111,774	(1,525)
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,173,026</u>	<u>4,310,626</u>	<u>4,116,866</u>	<u>193,760</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,162,026)</u>	<u>(1,629,037)</u>	<u>(1,493,100)</u>	<u>135,937</u>
<i>Other financing sources (uses)</i>				
Designated cash	4,000,814	1,467,825	-	(1,467,825)
Transfers in	161,212	161,212	2,257,661	2,096,449
Transfers out	-	-	(626,426)	(626,426)
<i>Total other financing sources (uses)</i>	<u>4,162,026</u>	<u>1,629,037</u>	<u>1,631,235</u>	<u>2,198</u>
<i>Net change in fund balance</i>	-	-	138,135	138,135
<i>Fund balance - beginning of year</i>	-	-	1,246,434	1,246,434
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,384,569</u>	<u>\$ 1,384,569</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Electrical Construction Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ending June 30, 2007

Exhibit C-2

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	450,000	440,000	440,000	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	25	100	95	(5)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>450,025</u>	<u>440,100</u>	<u>440,095</u>	<u>(5)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,589,564	1,589,537	1,325,155	264,382
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	69,894	69,894	69,893	1
Interest	55,007	54,813	54,812	1
<i>Total expenditures</i>	<u>1,714,465</u>	<u>1,714,244</u>	<u>1,449,860</u>	<u>264,384</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,264,440)</u>	<u>(1,274,144)</u>	<u>(1,009,765)</u>	<u>264,379</u>
<i>Other financing sources (uses)</i>				
Proceeds from loan issuance	1,271,528	1,271,528	873,106	(398,422)
Designated cash	(122,088)	(133,652)	-	133,652
Transfers in	115,000	136,268	136,268	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,264,440</u>	<u>1,274,144</u>	<u>1,009,374</u>	<u>(264,770)</u>
<i>Net change in fund balance</i>	-	-	(391)	(391)
<i>Fund balance - beginning of year</i>	-	-	10,483	10,483
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,092</u>	<u>\$ 10,092</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Proprietary Funds
Statement of Net Assets
June 30, 2007

	Joint Utility	Solid Waste	Cemetery
<i>Assets</i>			
<i>Current assets</i>			
Cash	\$ 1,175,858	\$ 93,773	\$ 28,366
Investments	297,134	285,870	-
Accounts receivable (net of allowance for doubtful accounts of \$10,701)	748,808	-	-
Inventory	1,047,114	-	-
<i>Total current assets</i>	3,268,914	379,643	28,366
<i>Capital assets</i>			
Capital assets	10,419,687	2,116,551	112,080
Accumulated depreciation	(6,637,266)	(1,491,732)	(2,737)
<i>Total capital assets</i>	3,782,421	624,819	109,343
<i>Other assets:</i>			
Bond expenses, less amortization of \$9,683	8,728	-	-
<i>Total assets</i>	\$ 7,060,063	\$ 1,004,462	\$ 137,709
<i>Liabilities and net assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 251,552	\$ -	\$ -
Accrued payroll expenses	21,880	-	-
Customer deposits	73,074	-	-
Accrued interest	46,855	-	-
Due to other funds	876,459	-	-
Current portion of long-term debt	133,150	-	-
<i>Total current liabilities</i>	1,402,970	-	-
<i>Noncurrent liabilities</i>			
Bonds payable	1,684,575	-	-
Accrued compensated absences	128,993	-	-
Accrued landfill costs	195,130	-	-
Loans and notes payable	1,619,025	-	-
<i>Total noncurrent liabilities</i>	3,627,723	-	-
<i>Total liabilities</i>	5,030,693	-	-
<i>Net assets:</i>			
Unreserved:			
Unreserved, undesignated	2,029,370	1,004,462	137,709
<i>Total net assets</i>	2,029,370	1,004,462	137,709
<i>Total liabilities and net assets</i>	\$ 7,060,063	\$ 1,004,462	\$ 137,709

The accompanying notes are an integral part of these financial statements

Golf Course	Airport	Total	Internal Service Fund
\$ 22,034	\$ 25,183	\$ 1,345,214	21,188
-	-	583,004	
-	-	748,808	
-	-	1,047,114	85,575
<u>22,034</u>	<u>25,183</u>	<u>3,724,140</u>	<u>106,763</u>
1,078,174	1,925,878	15,652,370	-
(412,011)	(272,625)	(8,816,371)	-
<u>666,163</u>	<u>1,653,253</u>	<u>6,835,999</u>	-
-	-	8,728	-
<u>\$ 688,197</u>	<u>\$ 1,678,436</u>	<u>\$ 10,568,867</u>	<u>106,763</u>
\$ -	\$ -	\$ 251,552	-
-	1,115	22,995	-
-	-	73,074	-
-	-	46,855	-
-	-	876,459	-
-	-	133,150	-
-	1,115	1,404,085	-
-	-	1,684,575	-
-	6,418	135,411	-
-	-	195,130	-
-	-	1,619,025	-
-	6,418	3,634,141	-
-	7,533	5,038,226	-
<u>688,197</u>	<u>1,670,903</u>	<u>5,530,641</u>	<u>106,763</u>
<u>688,197</u>	<u>1,670,903</u>	<u>5,530,641</u>	<u>106,763</u>
<u>\$ 688,197</u>	<u>\$ 1,678,436</u>	<u>\$ 10,568,867</u>	<u>106,763</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Cemetery</u>
<i>Operating revenues:</i>			
Charges for services	\$ 7,092,471	\$ -	\$ 13,495
<i>Total operating revenues</i>	<u>7,092,471</u>	<u>-</u>	<u>13,495</u>
<i>Operating expenses:</i>			
Depreciation	175,368	125,133	122
Supplies and purchased power	2,321,769	-	-
Gross receipts taxes	386,058	-	-
Payroll expenses	1,325,021	-	-
Maintenance and materials	164,841	-	-
Insurance	193,727	-	-
Utilities	258,910	-	3,303
Contractual services	785,127	-	-
Other operating expenses	48,089	-	180
<i>Total operating expenses</i>	<u>5,658,910</u>	<u>125,133</u>	<u>3,605</u>
<i>Operating income (loss)</i>	<u>1,433,561</u>	<u>(125,133)</u>	<u>9,890</u>
<i>Non-operating revenues (expenses):</i>			
Gross receipts taxes	381,407	54,882	-
Interest expense	(133,988)	-	-
Interest income	18,785	11,454	-
State operating grants	722,782	-	-
Miscellaneous income	31,824	-	-
<i>Total non-operating revenues (expenses)</i>	<u>1,020,810</u>	<u>66,336</u>	<u>-</u>
<i>Income (loss) before transfers</i>	<u>2,454,371</u>	<u>(58,797)</u>	<u>9,890</u>
<i>Transfers in</i>	392,467	-	-
<i>Transfers out</i>	<u>(2,720,947)</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>125,891</u>	<u>(58,797)</u>	<u>9,890</u>
<i>Total net assets, beginning of year</i>	1,463,826	1,196,918	128,062
<i>Total net assets, restatement</i>	<u>439,653</u>	<u>(133,659)</u>	<u>(243)</u>
<i>Total net assets, beginning of year, restated</i>	<u>1,903,479</u>	<u>1,063,259</u>	<u>127,819</u>
<i>Total net assets, end of year</i>	<u>\$ 2,029,370</u>	<u>\$ 1,004,462</u>	<u>\$ 137,709</u>

The accompanying notes are an integral part of these financial statements

<u>Golf Course</u>	<u>Airport</u>	<u>Total</u>	<u>Internal Service Fund</u>
\$ 73,502	\$ 191,934	\$ 7,371,402	\$ 176,445
<u>73,502</u>	<u>191,934</u>	<u>7,371,402</u>	<u>176,445</u>
9,538	18,324	328,485	-
7,080	3,925	2,332,774	-
3,745	3,482	393,285	-
-	72,654	1,397,675	-
-	133,044	297,885	189,934
-	6,129	199,856	-
12,453	10,627	285,293	-
52,451	672	838,250	-
<u>27,040</u>	<u>5,811</u>	<u>81,120</u>	<u>-</u>
<u>112,307</u>	<u>254,668</u>	<u>6,154,623</u>	<u>189,934</u>
<u>(38,805)</u>	<u>(62,734)</u>	<u>1,216,779</u>	<u>(13,489)</u>
3,676	3,966	443,931	-
-	-	(133,988)	-
39	27	30,305	-
-	-	722,782	-
<u>-</u>	<u>-</u>	<u>31,824</u>	<u>-</u>
<u>3,715</u>	<u>3,993</u>	<u>1,094,854</u>	<u>-</u>
<u>(35,090)</u>	<u>(58,741)</u>	<u>2,311,633</u>	<u>(13,489)</u>
50,000	65,000	507,467	-
<u>-</u>	<u>-</u>	<u>(2,720,947)</u>	<u>-</u>
<u>14,910</u>	<u>6,259</u>	<u>98,153</u>	<u>(13,489)</u>
681,176	1,683,282	5,153,264	-
<u>(7,889)</u>	<u>(18,638)</u>	<u>279,224</u>	<u>120,252</u>
<u>673,287</u>	<u>1,664,644</u>	<u>5,432,488</u>	<u>120,252</u>
<u>\$ 688,197</u>	<u>\$ 1,670,903</u>	<u>\$ 5,530,641</u>	<u>\$ 106,763</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2007

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Cemetery</u>
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 7,023,450	\$ -	\$ 13,495
Cash payments to employees for services	(1,341,158)	-	-
Cash payments to suppliers for goods and services	<u>(4,286,969)</u>	<u>133,660</u>	<u>(3,859)</u>
<i>Net cash provided by (used) for operating activities</i>	<u>1,395,323</u>	<u>133,660</u>	<u>9,636</u>
<i>Cash flows from noncapital financing activities:</i>			
Gross receipts taxes	381,407	54,882	-
State operating grants	722,782	-	-
Interest paid	(133,988)	-	-
Miscellaneous income	31,824	-	-
Increase in accrued landfill costs	5,040	-	-
Change in accrued interest	(8,749)	-	-
Change in noncurrent accrued compensated absences	(104,645)	-	-
Change in loans and notes payable	(649,777)	-	-
Prior period restatement (Note 17)	439,653	(133,659)	(243)
Internal balances	871,761	-	-
Transfers	<u>(2,328,480)</u>	<u>-</u>	<u>-</u>
<i>Net cash provided by (used) from noncapital financing activities:</i>	<u>(773,172)</u>	<u>(78,777)</u>	<u>(243)</u>
<i>Cash flows from investing activities:</i>			
Acquisition of capital assets	(962,326)	-	-
Interest on investments	<u>18,785</u>	<u>11,454</u>	<u>-</u>
<i>Net cash provided by (used) from investing activities:</i>	<u>(943,541)</u>	<u>11,454</u>	<u>-</u>
<i>Net increase in cash and cash equivalents</i>	(321,390)	66,337	9,393
<i>Cash and cash equivalents - beginning of year</i>	<u>1,794,382</u>	<u>313,306</u>	<u>18,973</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 1,472,992</u>	<u>\$ 379,643</u>	<u>\$ 28,366</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ 1,433,561	\$ (125,133)	\$ 9,890
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	318,765	258,793	365
Changes in assets and liabilities			
Receivables	(69,021)	-	-
Inventory	(306,576)	-	-
Accrued expenses	(16,137)	-	-
Customer deposits	5,404	-	-
Accounts payable	<u>29,327</u>	<u>-</u>	<u>(619)</u>
<i>Net cash (used) by operating activities</i>	<u>\$ 1,395,323</u>	<u>\$ 133,660</u>	<u>\$ 9,636</u>

The accompanying notes are an integral part of these financial statements

Golf Course	Airport	Total	Internal Service Fund
\$ 73,502	\$ 195,623	\$ 7,306,070	\$ 176,445
-	(72,637)	(1,413,795)	-
(96,539)	(145,052)	(4,398,759)	(189,934)
(23,037)	(22,066)	1,493,516	(13,489)
3,676	3,966	443,931	-
-	-	722,782	-
-	-	(133,988)	-
-	-	31,824	-
-	-	5,040	-
-	-	(8,749)	-
-	(4,359)	(109,004)	-
-	-	(649,777)	-
(7,889)	(18,638)	279,224	-
-	(62)	871,699	-
50,000	65,000	(2,213,480)	-
45,787	45,907	(760,498)	-
(8,345)	(6,435)	(977,106)	-
39	27	30,305	-
(8,306)	(6,408)	(946,801)	-
14,444	17,433	(213,783)	(13,489)
7,590	7,750	2,142,001	34,677
\$ 22,034	\$ 25,183	\$ 1,928,218	\$ 21,188
\$ (38,805)	\$ (62,734)	\$ 1,216,779	\$ (13,489)
17,427	36,962	632,312	-
-	3,689	(65,332)	-
-	-	(306,576)	-
-	17	(16,120)	-
-	-	5,404	-
(1,659)	-	27,049	-
\$ (23,037)	\$ (22,066)	\$ 1,493,516	\$ (13,489)

(This page intentionally left blank)

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 1. Summary of Significant Accounting Policies

The City of Truth or Consequences (City) was incorporated in 1945 under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The City of Truth or Consequences is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

The financial statements of City of Truth or Consequences have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14 and GASB No. 39. The basic-but not the only-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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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 City of Truth or Consequences and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City of Truth or Consequences and is generally available to 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 City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Discretely Presented Component Unit

Truth or Consequences Housing Authority (The Authority): This component unit has separate elected and/or appointed board and provides services to residents, generally within the geographic boundaries of the government. The New Mexico State Auditor, through Regulation 2 NMAC 2.2 requires the inclusion of this unit in the reporting entity.

The component unit's activities include enterprise funds as detailed on Exhibit A-1 and A-2 in the City's financial reports.

Separately issued financial statements may be obtained directly from the Authority's administrative office by writing to Truth or Consequences Housing Authority, 1088 South Cedar, Truth or Consequences, New Mexico 87901.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers 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*.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 requirements of GASB No. 34, the City is required to present certain of its governmental funds as major based upon certain criteria. The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

The *Electrical Construction Special Revenue Fund* is used to account for monies for electrical upgrade projects as approved by the City Commission.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the repayment of, general long-term principal, interest and related costs of general obligation bonds. Revenues for this fund are taxes generated by sources designated in bond documents.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Additionally, the City reports the following fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The government reports its proprietary funds as major funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole. Program revenues reduce the cost of the function to be financed from the City's general revenues. Amounts reported as *program revenues* 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*.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services at the various enterprises. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments: 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.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Sierra County and remitted monthly to the City.

Certain special revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

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 recorded at cost, and expenditures are recorded at the time individual inventory items are purchased. 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.

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

STATE OF NEW MEXICO
 City of Truth or Consequences
 Notes to the Financials
 For the Year Ended June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column 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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	40
Buildings and improvements	20-45
Utility plant	33
Vehicles	6
Construction in progress	40
Furniture and equipment	5-20

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as deferred revenue.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of ten days to twenty days per year, depending on length of service. Employees may accumulate up to 320 hours (forty days) of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for up to 320 hours (forty days) of accrued annual leave.

Qualified employees are entitled to accumulate sick leave at a rate of twelve days per year. Sick leave can be carried over from year to year up to 960 hours (120 days). Upon termination employees receive no pay for sick time accumulated.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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.

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Commissioners, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Commissioners and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
	Budgeted Funds:	
General Fund	\$ (4,162,026)	\$ (1,629,037)
Electrical Construction	\$ (1,264,440)	\$ (1,274,144)
Debt Service Fund	\$ 30,767	\$ 127,564
Other Governmental Funds	\$ (383,203)	\$ (677,706)

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

The City is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents 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 generally accepted accounting principles, 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, 2007 is presented.

The following is a reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund type.

	General Fund	Electrical Construction Fund	Debt Service Fund
Excess (deficiency) of revenues over expenditures (GAAP basis)	\$ (1,404,792)	\$ (113,272)	\$ 57,202
Adjustments:			
To revenues for tax accruals, earnings on investments, and other deferrals and accruals.	(9,677)	-	16,552
To adjust expenditures for payables, payroll taxes, prepaid expenses and other accruals.	(78,631)	(896,493)	-
Excess (deficiency) of revenues over expenditures (budget basis)	\$ (1,493,100)	\$ (1,009,765)	\$ 73,754

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP Basis for each nonmajor governmental fund and enterprise fund are included in each individual budget statement.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2007.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States 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.

Excess of funds may be temporarily invested 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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2007, \$4,194,721 of the City's bank balance \$4,759,482 was exposed to custodial credit risk. \$4,194,721 was uninsured and collateralized held by the pledging bank's trust department, not in the City's name and \$0 was uninsured and uncollateralized. At June 30, 2007 the carrying amount on those deposits was \$4,614,451.

	<u>Bank of the Southwest</u>	<u>State National Bank</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Amount of deposits	\$ 3,121,586	\$ 1,473,135	\$ 164,761	\$ 4,759,482
FDIC coverage	200,000	200,000	164,761	564,761
Total uninsured public funds	<u>2,921,586</u>	<u>1,273,135</u>	<u>-</u>	<u>4,194,721</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the County's name	<u>2,921,586</u>	<u>1,273,135</u>	<u>-</u>	<u>4,194,721</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50%)	\$ 1,460,793	\$ 636,568	\$ -	\$ 2,097,361
Pledged securities	<u>3,134,630</u>	<u>1,403,098</u>	<u>-</u>	<u>4,537,728</u>
Over (under) collateralized	<u>\$ 1,673,836</u>	<u>\$ 766,530</u>	<u>\$ -</u>	<u>\$ 2,440,368</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 3. Deposits and Investments (continued)

As of June 30, 2007 the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Wells Fargo U.S. Treasury Money Market Account*	<u>\$ 149,201</u>	<u>\$ 149,201</u>

*Investment is considered a cash equivalent for financial statement purposes

Interest Rate Risk - Investments - As a means of limiting its exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the maturity of securities purchased for an account to less than one year.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's policy related to investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). There is no credit risk since the only investment is wholly backed by the United States government. The carrying value of the City's investment at June 30, 2007 was \$149,201.

Concentration Credit Risk - Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investment in the Wells Fargo U.S. Treasury Money Market Account represents 100% of the investment portfolio. Since the investment is wholly backed by the United States government, the additional concentration is not viewed to be an additional risk by the City. The City's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

The City utilizes pooled accounts for their funds. The general fund, special revenue funds, and capital projects funds are all in multiple accounts.

Reconciliation of Cash and Cash Equivalents

Primary Government

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents per Exhibit A-1	\$4,764,715
Add: outstanding checks and other reconciling items	145,031
Less: Wells Fargo U.S. Treasury Money Market Account	(149,201)
Less: petty cash	<u>(1,063)</u>
Bank balance of deposits	<u>\$4,759,482</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 4. Receivables

Receivables as of June 30, 2007, are as follows:

Governmental Funds:

	General Fund	Total Nonmajor Funds	Total
Other taxes:			
Franchise taxes	\$ 33,300	\$ -	\$ 33,300
Other receivables:			
Intergovernmental-grants:			
State	7,818	22,156	29,974
Net Receivables	\$ 41,118	\$ 22,156	63,274

Proprietary Funds:

Utilities, net of allowance for doubtful accounts	748,808
Total Accounts Receivable	\$ 812,082

The above governmental receivables are deemed 100% collectible. The utility accounts have a \$10,701 allowance for uncollectible accounts.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 5. Interfund Receivables, Payables, and Transfers

Net operating transfers made to close out funds and to supplement other funding services, are as follows:

Primary Government	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 2,257,661	\$ 626,426
Electrical Construction Fund	136,268	-
Nonmajor Funds:		
Recreation Fund	-	4,449
Corrections Fees Fund	2,000	-
Law Enforcement Protection Fund	33,000	-
Municipal Streets Fund	94,000	30,000
Veteran's Wall Fund	1,900	-
DWI Grant Fund	3,000	3,000
State Library Fund	5,488	-
Capital Expenditures Fund	74,000	-
Morgan Street Flood Control Fund	285,538	-
R&R Emergency Fund	1,000	25,000
FAA Project Fund	8,500	-
Total Governmental Funds	<u>2,902,355</u>	<u>688,875</u>
Proprietary Funds:		
Joint Utility Fund	392,467	2,720,947
Golf Course Fund	50,000	-
Airport Fund	65,000	-
Total Proprietary Funds	<u>507,467</u>	<u>2,720,947</u>
Total Primary Government	<u>\$ 3,409,822</u>	<u>\$ 3,409,822</u>

The City's records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. The composition of internal balances at June 30, 2007 are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ 3,405	\$ -
Electrical Construction Fund	\$ 873,054	-
Joint Utility Fund	-	876,459
Totals	<u>\$ 876,459</u>	<u>\$ 876,459</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2007, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

Governmental Activities:

	Balance June 30, 2006	Additions	Restatement	Deletions	Balance June 30, 2007
Capital assets not being depreciated:					
Land & Improvements	\$ 4,473,897	\$ -	\$ -	\$ -	\$ 4,473,897
Construction in progress	921,898	-	-	-	921,898
	<u>5,395,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,395,795</u>
Capital assets being depreciated:					
Equipment	1,502,149	30,955	-	-	1,533,104
Vehicles	1,072,170	201,500	-	-	1,273,670
Buildings and improvements	7,126,247	38,751	-	-	7,164,998
	<u>9,700,566</u>	<u>271,206</u>	<u>-</u>	<u>-</u>	<u>9,971,772</u>
Total capital assets	<u>15,096,361</u>	<u>271,206</u>	<u>-</u>	<u>-</u>	<u>15,367,567</u>
Accumulated depreciation:					
Equipment	950,928	110,849	11,235	-	1,073,012
Vehicles	932,293	59,934	114,486	-	1,106,713
Buildings and improvements	5,770,944	59,702	108,663	-	5,939,309
Total accumulated depreciation	<u>7,654,165</u>	<u>230,485</u>	<u>234,384</u>	<u>-</u>	<u>8,119,034</u>
Net Capital Assets	<u>\$ 7,442,196</u>	<u>\$ 40,721</u>	<u>\$ (234,384)</u>	<u>\$ -</u>	<u>\$ 7,248,533</u>

Depreciation expense for the year ended June 30, 2007 was allocated to the following activities:

General Government	\$ 43,146
Public Safety	80,618
Public Works	41,705
Culture & Recreation	61,527
Health & Welfare	<u>3,489</u>
Total Depreciation	<u>\$ 230,485</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 6. Capital Assets (continued)

Business-type Activities:

	Balance June 30, 2006	Additions	Restatement	Deletions	Balance June 30, 2007
Capital assets not being depreciated:					
Land	\$ 3,218,161	\$ -	\$ -	\$ -	\$ 3,218,161
	<u>3,218,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,218,161</u>
Capital assets being depreciated:					
Vehicles	1,703,327	17,002	-	-	1,720,329
Utility plant	3,671,669	873,054	-	-	4,544,723
Buildings and improvements	1,974,694	14,780	-	-	1,989,474
Equipment	3,029,514	58,845	-	-	3,088,359
Construction in progress	1,077,899	13,425	-	-	1,091,324
	<u>11,457,103</u>	<u>977,106</u>	<u>-</u>	<u>-</u>	<u>12,434,209</u>
Total	<u>14,675,264</u>	<u>977,106</u>	<u>-</u>	<u>-</u>	<u>15,652,370</u>
Accumulated depreciation:					
Vehicles	\$ 1,110,794	\$ 68,586	\$ 151,172	\$ -	\$ 1,330,552
Utility plant	3,571,705	26,647	-	-	3,598,352
Buildings and improvements	1,177,460	25,715	(108,687)	-	1,094,488
Equipment	2,222,350	146,965	261,341	-	2,630,656
Construction in progress	108,509	53,814	-	-	162,323
Total accumulated depreciation	<u>8,190,818</u>	<u>321,727</u>	<u>303,826</u>	<u>-</u>	<u>8,816,371</u>
Net Book Value	<u>\$ 6,484,446</u>	<u>\$ 655,379</u>	<u>\$ (303,826)</u>	<u>\$ -</u>	<u>\$ 6,835,999</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2007 totaled \$333,057.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 7. Long-term Debt

During the year ended June 30, 2007, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

Governmental Activities:

	Balance June 30, 2006	Additions	Retirements	Restatement	Balance June 30, 2007	Due Within One Year
Street Sweeper Loan	\$ 101,354	\$ -	\$ 25,166	\$ -	\$ 76,188	\$ 26,480
NMFA Electrical Upgrade Loan	26,054	873,106	64,534	68,977	903,603	49,307
1996 Municipal GRT Revenue Bonds	1,200,000	-	85,000	-	1,115,000	95,000
NMFA Loan Fire Truck	-	110,000	-	-	110,000	20,896
NMFA Loan PD Building	-	-	8,179	260,329	252,150	12,179
Compensated Absences	165,282	181,057	165,282	-	181,057	-
Total long-term liabilities	\$ 1,492,690	\$ 1,164,163	\$ 348,161	\$ 329,306	\$ 2,637,998	\$ 203,862

The 1996 gross receipts tax refunding and improvement bonds were issued in the initial principal amount of \$1,895,000 and mature serially through 2016. The series bears interest at rates ranging from 4.02% to 6.3%. The Bonds are being issued pursuant to Sections 3-31-1 through 3-31-12 NMSA 1978, as amended, to provide funds for the purpose of constructing, purchasing, equipping, furnishing, rehabilitating, and otherwise improving public buildings and public recreational facilities and for the purpose of, together with other available moneys, refinancing and paying the City's outstanding Sales Tax Revenue Bonds, Series August 1, 1987. The 1996 Bonds and all payments of principal and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the revenues distributed to it by the New Mexico Taxation and Revenue Department pursuant to Sections 7-9-4, NMSA 1978, as amended, 7-1-6.1 and 7-1-6.4 NMSA, as amended and 7-1-6.15 NMSA, 1978 as amended.

The annual requirements to amortize the 1996 Municipal Gross Receipts Tax Bonds as of June 30, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 95,000	\$ 70,245	\$ 165,245
2009	105,000	64,260	169,260
2010	115,000	57,645	172,645
2011	115,000	50,400	165,400
2012	125,000	43,155	168,155
2013-2017	560,000	85,050	645,050
	\$1,115,000	\$ 370,755	\$1,485,755

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 7. Long-term Debt (continued)

On June 1, 2005, the City entered into a loan agreement with the Elgin Sweeper Company for a sweeper for the street department in the amount of \$132,741. The loan is financed over five years at 5.12%. The annual requirements to amortize the loan as of June 30, 2007, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 26,480	\$ 3,398	\$ 29,878
2009	27,862	2,016	29,878
2010	21,846	562	22,408
	<u>\$ 76,188</u>	<u>\$ 5,976</u>	<u>\$ 82,164</u>

The City has entered into several loan agreements with the New Mexico Finance Authority, wherein the City pledged revenue derived from New Mexico Fire Protection Allotments to cover debt service. This revenue is subject to intercept agreements. The annual requirements to amortize the NMFA loans as of June 30, 2007, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 82,382	\$ 15,451	\$ 97,833
2009	83,105	14,749	97,854
2010	84,137	13,722	97,859
2011	85,192	12,665	97,857
2012	86,273	11,585	97,858
2013-2017	329,632	44,322	373,954
2018-2022	350,960	22,994	373,954
2023-2027	164,072	3,380	167,452
	<u>\$1,265,753</u>	<u>\$ 138,868</u>	<u>\$1,404,621</u>

Compensated Absences – Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2007, long-term compensated absences increased \$15,775 over the prior year accrual. In prior years, the general fund was typically used to liquidate compensated absences.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 7. Long-term Debt (continued)

Long-term liability in Proprietary Funds consists of:

Business-type Activities:

	Balance June 30, 2006	Additions	Retirements	Restatement	Balance June 30, 2007	Due Within One Year
Bonds Payable	\$ 1,711,575	\$ -	\$ 27,000	\$ -	\$ 1,684,575	\$ 28,000
Notes Payable	2,374,952	88,551	128,278	(583,050)	1,752,175	105,150
Accrued landfill costs	190,090	5,040	-	-	195,130	-
Compensated Absences	244,415	135,411	244,415	-	135,411	-
Total	<u>\$ 4,521,032</u>	<u>\$ 229,002</u>	<u>\$ 399,693</u>	<u>\$ (583,050)</u>	<u>\$ 3,767,291</u>	<u>\$ 133,150</u>

In prior years, the joint utilities was typically used to liquidate compensated absences.

	Principal Amounts at June 30, 2007
Loan 92-03, Utility Revenue Bonds, Series 1996 with the United States Department of Agriculture dated August 9, 1996 issued pursuant to Sections 3-31-1 et seq. NMSA 1978, as amended, and Ordinance No. 434-96 adopted by the City Council of the City. The proceeds of the bonds will be used to finance improvements to the City's waste water system. The Bond principal and interest is due annually in August with principal payments ranging from \$6,000 to \$31,500 and interest accruing at a rate of 4.5%. Bond principal and interest are to be paid from pledged revenues derived from the operation of the City's waste water system and other public utilities. Matures in August 2036.	\$ 572,500
Loan 92-01, Utility Revenue Bonds, Series 1995 with the United States Department of Agriculture dated February 7, 1996 issued pursuant to Sections 3-31-1 et seq. NMSA 1978, as amended, and Ordinance No. 430-95 adopted by the City Council of the City. The proceeds of the bonds will be used to finance improvements to the City's waste water system. The Bond principal and interest is due annually in February with principal payments ranging from \$9,000 to \$53,000 and interest accruing at a rate of 4.5%. Bond principal and interest are to be paid from pledged revenues derived from the operation of the City's waste water system and other public utilities. Matures in February 2036.	851,000
Loan 91-04, Utility Revenue Bonds, Series 1998 with the United States Department of Agriculture dated June 18, 1998 issued pursuant to Sections 3-31-1 et seq. NMSA 1978, as amended, and Ordinance No. 455-97 adopted by the City Council of the City. The proceeds of the bonds will be used to finance improvements to the City's water system. The Bond principal and interest is due annually in June with principal payments ranging from \$3,000 to \$15,000 and interest accruing at a rate of 4.75%. Bond principal and interest are to be paid from pledged revenues derived from the operation of the City's waste system and other public utilities. Matures in June 2038.	261,075

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 7. Long-term Debt (continued)

	Principal Amount at June 30, 2007
<p>Loan 94-10, Rural Infrastructure Program Loan with the New Mexico Environment Department, Construction Programs Bureau dated April 19, 1995 issued pursuant to Sections 75-1-1 through 75-1-6, NMSA 1978, as amended. The proceeds of the bonds will be used to finance improvements to the City's water system. The Bond principal and interest is due in annual installments of \$40,121 through November 2002 and \$34,153 from November 2003 through 2017. The original interest rate on the loan of 5.0% was reduced to 3.0% effective November 2002. Loan principal and interest are to be paid from pledged revenues derived from the operation of the City's water system and other public utilities.</p>	316,001
<p>Loan 95-16, Rural Infrastructure Program Loan with the New Mexico Environment Department, Construction Programs Bureau dated July 26, 2002 issued pursuant to Sections 3-31-1 through 3-31-12, NMSA 1978, as amended. The proceeds of the bonds will be used to finance improvements to the City's water system. The Bond principal and interest is due in annual installments of \$33,909 until January 2022 at interest of 3.0%. Loan principal and interest are to be paid from pledged revenues derived from the operation of the City's water system and other public utilities.</p>	404,805
<p>Drinking Water State Revolving Fund loan payable to New Mexico Finance Authority (NMFA) issued in the original amount of \$1,841,089. The note is being issued pursuant to Sections 3-31-1 through 3-31-12 NMSA 1978, as amended, to provide funds for acquiring and constructing two water storage tanks. At June 30, 2006 the City has used all of the loan proceeds on the project and these costs have been capitalized as construction in progress in the Joint Utilities Fund. NMFA charged a loan-processing fee of \$18,411 and this has been recorded as loan costs in the Joint Utilities fund and is being amortized over the life of the loan. The loan is payable in monthly installment of principal and interest amounts ranging from \$10,015 to 13,445 over the term of the loan. The loan bears interest of 2.27% and matures in April 2021. Loan principal and interest are to be paid from pledged revenues derived from the operation of the City's water system and other public utilities.</p>	<u>1,031,369</u>
	3,436,750
Less current portion	<u>(133,150)</u>
Total long-term debt, net of current portion	<u>\$ 3,303,600</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the City's outstanding loans and bonds payable as of June 30, 2007, including interest payments are as follows:

Loan No 92-03
Issue Date – August 9, 1996
Original Amount - \$647,500
Interest Rate – 4.50%
Payment Date – August 9

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 9,000	\$ 25,763	\$ 34,763
2009	10,000	25,358	35,358
2010	10,000	24,908	34,908
2011	11,000	24,458	35,458
2012	11,000	23,963	34,963
2013-2017	64,000	111,805	175,805
2018-2022	80,000	96,010	176,010
2023-2027	100,000	76,390	176,390
2028-2032	125,000	51,640	176,640
2033-2037	152,500	20,995	173,495
	<u>\$ 572,500</u>	<u>\$ 481,290</u>	<u>\$ 1,053,790</u>

Loan No. 92-01
Issue Date – February 7, 1996
Original Amount - \$977,000
Interest Rate - 4.50%
Payment Date – February 7

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 15,000	\$ 38,925	\$ 53,925
2009	15,000	37,620	52,620
2010	16,000	36,945	52,945
2011	17,000	36,225	53,225
2012	18,000	35,460	53,460
2013-2017	100,000	164,700	264,700
2018-2022	125,000	139,950	264,950
2023-2027	157,000	109,080	266,080
2028-2032	196,000	70,470	266,470
2033-2037	192,000	22,275	214,275
	<u>\$ 851,000</u>	<u>\$ 691,650</u>	<u>\$ 1,542,650</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 7. Long-term Debt (continued)

Loan No. 91-04
Issue Date – June 18, 1998
Original Amount - \$290,200
Interest Rate – 4.75%
Payment Date – June 1

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 4,000	\$ 12,401	\$ 16,401
2009	4,000	12,211	16,211
2010	4,000	12,021	16,021
2011	5,000	11,831	16,831
2012	5,000	11,594	16,594
2013-2017	27,000	54,359	81,359
2018-2022	35,000	47,234	82,234
2023-2027	44,000	38,113	82,113
2028-2032	54,000	26,713	80,713
2033-2037	69,000	12,463	81,463
2038-2042	<u>10,075</u>	<u>478</u>	<u>10,553</u>
	<u>\$ 261,075</u>	<u>\$ 239,418</u>	<u>\$ 500,493</u>

Loan No. 94-10
Issue Date – April 19, 1995
Original Amount - \$500,000
Interest Rate – 3.00%
Payment Date – April 19

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 24,674	\$ 9,480	\$ 34,154
2009	25,413	8,740	34,153
2010	26,175	7,978	34,153
2011	26,960	7,192	34,152
2012	27,769	6,383	34,152
2013-2017	151,853	18,909	170,762
2018-2022	<u>33,158</u>	<u>995</u>	<u>34,153</u>
	<u>\$ 316,002</u>	<u>\$ 59,677</u>	<u>\$ 375,679</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 7. Long-term Debt (continued)

Loan No. 95-16
Issue Date – July 16, 2002
Original Amount - \$504,483
Interest Rate – 3.00%
Payment Date – January 1

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 21,765	\$ 12,144	\$ 33,909
2009	22,418	11,491	33,909
2010	23,090	10,819	33,909
2011	23,782	10,126	33,908
2012	24,497	9,412	33,909
2013-2017	133,958	35,589	169,547
2018-2022	155,295	14,252	169,547
	<u>\$ 404,805</u>	<u>\$ 103,833</u>	<u>\$ 508,638</u>

Drinking Water State Revolving Fund Loan:

The annual requirements to amortize Drinking Water State Revolving Fund loan outstanding as of June 30, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 58,712	\$ 40,860	\$ 99,572
2009	57,528	42,044	99,572
2010	60,137	39,435	99,572
2011	62,863	36,709	99,572
2012	65,713	33,859	99,572
2013-2017	376,046	121,814	497,860
2018-2022	350,370	31,323	381,693
	<u>\$1,031,369</u>	<u>\$ 346,044</u>	<u>\$1,377,413</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 8. Risk Management

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

The City is a member and is insured through the New Mexico Self-insurer's Fund Risk Pool. The Pool was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Pool acts as the common carrier for the State of New Mexico cities. The City pays an annual premium to the Pool based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The City is not liable for more than the premiums paid.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2007, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City of Truth or Consequences.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance of individual funds: There were not any funds with deficit fund balances at June 30, 2007.

B. Excess of expenditures over appropriations. Budgetary level is fund level. The funds that exceeded approved budgetary authority for the year ended June 30, 2007 are as follows:

Governmental Funds:	
Correction Fees Fund	\$ 8,141
Debt Service Fund	<u>66,172</u>
Total	<u>\$ 74,313</u>

C. Designated cash appropriations in excess of available balances. The funds with designated cash appropriations in excess of available balances are as follows:

Governmental Funds:	
General Fund	\$ 221,391
Law Enforcement Protection Fund	26,559
Morgan Street Flood Control Fund	<u>256,280</u>
Total	<u>\$ 504,230</u>
Proprietary Funds:	
Cemetery Fund	<u>\$ 331,479</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 10. PERA Pension Plan

Plan Description. Substantially all of the City of Truth or Consequences' full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7% for municipal employees of their defined gross salary to the plan. Employer contributions are 9.15% for municipal employees and 15% for law enforcement plan members of the employee's defined gross salary. Under municipal general member coverage plan 1, the amount of pension is equal to two percent of the final average salary multiplied by credited service. The amount shall not exceed sixty percent of the final average salary. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ended June 30, 2007, 2006 and 2005 were \$282,100, \$279,204 and \$285,907 equal to the amount of the required contributions for the years, respectively.

NOTE 11. Post-Employment Benefits

The Retiree Health Care Act (the "Act") (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. Monies flow to the Retiree Health Care Fund on pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retired before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employee's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990, and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in the amount equal to 0.65% of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars \$(5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issued a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, New Mexico 87109.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 11. Post-Employment Benefits (continued)

The City joined the Retire Health Care Plan provided under the Retiree Health Care Act (Chapter 10, Article 7C, NMSA, 1978) starting in calendar year 2004. For the year ended June 30, 2007, and 2006 the City remitted \$35,556 and \$35,690, respectively, in employer contributions to the Retiree Health Care Authority.

NOTE 12. Contingent Liabilities

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self-insured Pool. Management and the City's attorney are unaware of any material pending or threatened litigation, claims or assessments against the City which are not covered by the City's insurance.

NOTE 13. Federal and State Grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 14. Subsequent Accounting Standard Pronouncements

In June, 2004 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions, an amendment to GASB Statements No. 10, 12, 27 and 26, which is effective for financial statements for periods beginning after December 15, 2006, with earlier application encouraged. The Statement establishes standards for the measurement, recognition and display of other post employment benefits expense/expenditures and related liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In September, 2006 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, which is effective for all periods beginning after December 31, 2006. The statement establishes standard for reporting and disclosure of transactions involving the sale of a receivable or future revenue stream. Depending on the continuing involvement of the government, the sale could be recorded as a sale or as a collateralized borrowing. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In November, 2006 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 49, Accounting and financial reporting for Pollution Remediation Obligations, which is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming years.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financials
For the Year Ended June 30, 2007

NOTE 14. Subsequent Accounting Standard Pronouncements (continued)

In May, 2007 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27, which is effective for periods beginning after June 15, 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform with requirements of Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In June, 2007 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which is effective for periods beginning after June 15, 2009. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming years.

NOTE 15. Landfill Closure and Post Closure Care Costs

State and federal laws and regulations require that the City of Truth or Consequences place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure of the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The recognition of landfill closure and post closure care costs is based on the estimated capacity of the landfill used to date compared to the total estimated capacity. It is estimated that seventy nine percent of the landfill capacity has been used at June 30, 2007. The total estimated liability for landfill closure costs is \$195,130 as of June 30, 2007, which is based on the cumulative capacity to date as a percentage of projected capacity at the time of landfill closure. It is estimated that an additional \$31,870 will be recognized as closure and postclosure care costs between the balance sheet date and the date the landfill site is expected to close in 2017, in accordance with State of New Mexico Environmental Division and Federal EPA regulations. The estimated total current costs of the landfill closure and postclosure care of \$247,000 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2007. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The City is in compliance with Federal EPA financial assurance requirements regarding the landfill at June 30, 2007.

NOTE 16. Fund Balance and Net Assets Restatement

The City has restated \$164,214 of prior year net assets. Adjustments were made to properly roll forward for accumulated depreciation balances from the prior year. As a result, beginning net assets was decreased in the amount of \$538,210. No funds were affected by this adjustment. The internal service fund was not properly recorded in prior years. As a result, beginning net assets was increased by \$120,252. Lastly, an adjustment was made to cumulative adjust long term debt that was not properly recorded in prior years. As a result, beginning net assets was increased by \$253,744. No funds were affected by this adjustment.

(This page intentionally left blank)

SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

NONMAJOR GOVERNMENTAL FUNDS

(This page intentionally left blank)

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
June 30, 2007

FIRE PROTECTION FUND – To account for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. Authority: NMSA 59-A-53-1.

RECREATION FUND – To account for the operation and maintenance of recreational facilities in the City. Financing is provided by a specific annual cigarette tax levy. Authority: NMSA 7-12-1 & 7-12-15.

CORRECTION FEES FUND – To establish an additional source of funds to municipalities to offset the costs of corrections. The source of funds is a five dollar fee, which must be paid by all persons violating laws relating to the operations of a motor vehicle. Authority: NMSA 33-0-3.

LAW ENFORCEMENT PROTECTION FUND – To account for grant funds used for maintenance and development of the City's police force. Financing is provided by a grant from the State of New Mexico. Such revenue provides for purchase and repair of equipment as well as classes to upgrade the training of police personnel and may be used only for these purposes. Funding authority is NMSA 29-13-1.

LODGER'S TAX FUND – To account for the lodger's tax as authorized under 3-38-13 through 3-38-24 NMSA 1978. The City must use not less than 40% of the tax collected for advertising, publicizing and promotion of tourist-related attractions, facilities and events.

MUNICIPAL STREETS FUND – to account for various street projects funded by cooperative agreements with the New Mexico State Department of Transportation.

VETERAN'S WALL FUND- To account for monies related to the Veteran's Memorial Park owned by the city. Creation authority is City Commission.

DWI GRANT- To account for the monies appropriated by the New Mexico Legislature under house Bill 108 to help combat driving while intoxicated.

STATE LIBRARY FUND – To account for a local grant and private donations for the operations of the public City library. Creation authority is the City Commission.

VETERAN'S WALL PERPETUAL CARE FUND- To account for monies related to the columbariums for the Veteran's Memorial Park owned by the city. Approved by the city commission.

CDBG PROJECT – To account for the proceeds of a Community Development Block Grant (CDBG) from the U.S. Department of Housing and Urban Development. The grant is being used for water system improvements. Grant proceeds flow through the State Department of Finance and Administration.

LAW ENFORCEMENT BLOCK GRANT- To account for monies to be spent on police equipment and other allowable program expenses. Funds are received from the U.S. Department of Justice (CDFDA 16.592).

EFFLUENT WATER – To account for funds appropriated for improvements to city's water/ sewer system.

SENIOR TRANSPORTATION FUND – To account for monies appropriated for the meal site center for city residents. Authorization is City Commission.

CAPITAL EXPENDITURES FUND- To account for monies related to upgrades and improvements for the senior meal sites as approved by the city commission.

MORGAN STREET FLOOD CONTROL- To account for monies related to the Morgan Street Project- a project to construct a 100 year dam as approved by the city commission.

R & R EMERGENCY FUND- To account for the accumulation of resources to be used in the event of an emergency with construction expenditure in mind. Authorized by the City Commission

FAA AIRPORT PROJECT –To account for federal and state funding for improvements to the facilities at the airport.

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

	Special Revenue			
	Fire Protection Fund	Recreation Fund	Corrections Fees Fund	Law Enforcement Protection Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 63,667	\$ 27,911	\$ 11,628	\$ 2,041
Receivables:				
Other	-	-	-	-
<i>Total assets</i>	\$ 63,667	\$ 27,911	\$ 11,628	\$ 2,041
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<i>Total liabilities</i>	-	-	-	-
<i>Fund balances</i>				
Unreserved				
Designated for subsequent year	-	-	-	-
Unreserved, undesignated	63,667	27,911	11,628	2,041
<i>Total fund balances</i>	63,667	27,911	11,628	2,041
<i>Total liabilities and fund balances</i>	\$ 63,667	\$ 27,911	\$ 11,628	\$ 2,041

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>Lodger's Tax Fund</u>	<u>Municipal Streets Fund</u>	<u>Veteran's Wall</u>	<u>DWI Grant</u>	<u>State Library Fund</u>	<u>Veteran's Wall Perpetual Care Fund</u>
\$ 94,436	\$ 300,344	\$ 3,334	\$ 88,711	\$ 26,697	\$ 7,434
-	-	-	22,156	-	-
<u>\$ 94,436</u>	<u>\$ 300,344</u>	<u>\$ 3,334</u>	<u>\$ 110,867</u>	<u>\$ 26,697</u>	<u>\$ 7,434</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
94,436	300,344	3,334	110,867	26,697	7,434
<u>94,436</u>	<u>300,344</u>	<u>3,334</u>	<u>110,867</u>	<u>26,697</u>	<u>7,434</u>
<u>\$ 94,436</u>	<u>\$ 300,344</u>	<u>\$ 3,334</u>	<u>\$ 110,867</u>	<u>\$ 26,697</u>	<u>\$ 7,434</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>CDGG Fund</u>	<u>Law Enforcement Block Grant</u>	<u>Effluent Water Fund</u>	<u>Senior Transportation Fund</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,300	\$ 314	\$ 7,673	\$ 37,319
Receivables:				
Other	-	-	-	-
<i>Total assets</i>	<u>\$ 1,300</u>	<u>\$ 314</u>	<u>\$ 7,673</u>	<u>\$ 37,319</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Unreserved				
Designated for subsequent year	-	-	-	80,997
Unreserved, undesignated	1,300	314	7,673	(43,678)
<i>Total fund balances</i>	<u>1,300</u>	<u>314</u>	<u>7,673</u>	<u>37,319</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,300</u>	<u>\$ 314</u>	<u>\$ 7,673</u>	<u>\$ 37,319</u>

The accompanying notes are an integral part of these financial statements

Capital Projects

Capital Expenditures Fund	Morgan Street Flood Control Fund	R & R Emergency Fund	FAA Project Fund	Total Nonmajor Governmental Funds
\$ 5,135	\$ 8,095	\$ 59,006	\$ 29,599	\$ 774,644
-	-	-	-	22,156
<u>\$ 5,135</u>	<u>\$ 8,095</u>	<u>\$ 59,006</u>	<u>\$ 29,599</u>	<u>\$ 796,800</u>
\$ -	\$ -	\$ -	\$ 8,008	\$ 8,008
-	-	-	8,008	8,008
-	-	-	-	80,997
5,135	8,095	59,006	21,591	707,795
<u>5,135</u>	<u>8,095</u>	<u>59,006</u>	<u>21,591</u>	<u>788,792</u>
<u>\$ 5,135</u>	<u>\$ 8,095</u>	<u>\$ 59,006</u>	<u>\$ 29,599</u>	<u>\$ 796,800</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ending June 30, 2007

	Special Revenue			
	Fire Protection Fund	Recreation Fund	Corrections Fees Fund	Law Enforcement Protection Fund
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ 439	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	4,985	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	87,980	-	-	27,200
State capital grants	-	-	-	-
Charges for services	-	9,129	7,480	-
Investment income	378	112	-	-
Miscellaneous	-	20	-	-
<i>Total revenues</i>	<u>88,358</u>	<u>14,685</u>	<u>7,480</u>	<u>27,200</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	66,881	-	8,141	1,800
Public works	-	-	-	-
Culture and recreation	-	10,647	-	-
Capital outlay	110,000	-	-	61,500
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>176,881</u>	<u>10,647</u>	<u>8,141</u>	<u>63,300</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(88,523)</u>	<u>4,038</u>	<u>(661)</u>	<u>(36,100)</u>
<i>Other financing sources (uses)</i>				
Loan proceeds	110,000	-	-	-
Transfers in	-	-	2,000	33,000
Transfers out	-	(4,449)	-	-
<i>Total other financing sources (uses)</i>	<u>110,000</u>	<u>(4,449)</u>	<u>2,000</u>	<u>33,000</u>
<i>Net change in fund balances</i>	21,477	(411)	1,339	(3,100)
<i>Fund balances - beginning of year</i>	<u>42,190</u>	<u>28,322</u>	<u>10,289</u>	<u>5,141</u>
<i>Fund balances - end of year</i>	<u>\$ 63,667</u>	<u>\$ 27,911</u>	<u>\$ 11,628</u>	<u>\$ 2,041</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Lodger's Tax Fund	Municipal Streets Fund	Veteran's Wall	DWI Grant	State Library Fund	Veteran's Wall Perpetual Care Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	85,669	-	-	-	-
138,362	-	-	-	-	-
-	-	-	-	-	-
39,620	69,058	24,507	153,757	21,174	2,710
-	-	-	-	-	-
-	-	-	20,786	10,656	-
442	11,301	-	-	-	-
300	-	820	-	3,172	-
<u>178,724</u>	<u>166,028</u>	<u>25,327</u>	<u>174,543</u>	<u>35,002</u>	<u>2,710</u>
158,619	-	-	-	-	-
-	-	-	159,764	-	-
-	232,997	-	-	-	-
-	-	1,959	-	23,079	76
10,140	-	22,846	-	-	-
-	25,166	-	-	-	-
-	4,711	-	-	-	-
<u>168,759</u>	<u>262,874</u>	<u>24,805</u>	<u>159,764</u>	<u>23,079</u>	<u>76</u>
9,965	(96,846)	522	14,779	11,923	2,634
-	-	-	-	-	-
-	94,000	1,900	3,000	5,488	-
-	(30,000)	-	(3,000)	-	-
-	64,000	1,900	-	5,488	-
9,965	(32,846)	2,422	14,779	17,411	2,634
84,471	333,190	912	96,088	9,286	4,800
<u>\$ 94,436</u>	<u>\$ 300,344</u>	<u>\$ 3,334</u>	<u>\$ 110,867</u>	<u>\$ 26,697</u>	<u>\$ 7,434</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ending June 30, 2007

	Special Revenue		Capital Projects	
	CDBG Fund	Law Enforcement Block Grant	Effluent Water Fund	Senior Transportation Fund
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	100,588	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>100,588</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	100,588	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>100,588</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	<u>1,300</u>	<u>314</u>	<u>7,673</u>	<u>37,319</u>
<i>Fund balances - end of year</i>	<u>\$ 1,300</u>	<u>\$ 314</u>	<u>\$ 7,673</u>	<u>\$ 37,319</u>

The accompanying notes are an integral part of these financial statements

Capital Projects

Capital Expenditures Fund	Morgan Street Flood Control Fund	R&R Emergency Fund	FAA Project Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 439
-	-	-	-	85,669
-	-	-	-	143,347
-	-	-	141,357	141,357
-	-	-	-	426,006
-	-	-	-	100,588
-	-	-	-	48,051
68	-	-	-	12,301
-	-	-	-	4,312
<u>68</u>	<u>-</u>	<u>-</u>	<u>141,357</u>	<u>962,070</u>
-	-	-	-	158,619
-	-	-	-	236,586
45,812	306,701	-	142,045	828,143
-	-	-	-	35,761
40,223	-	-	-	244,709
-	-	-	-	25,166
-	-	-	-	4,711
<u>86,035</u>	<u>306,701</u>	<u>-</u>	<u>142,045</u>	<u>1,533,695</u>
<u>(85,967)</u>	<u>(306,701)</u>	<u>-</u>	<u>(688)</u>	<u>(571,625)</u>
-	-	-	-	110,000
74,000	285,538	1,000	8,500	508,426
-	-	(25,000)	-	(62,449)
<u>74,000</u>	<u>285,538</u>	<u>(24,000)</u>	<u>8,500</u>	<u>555,977</u>
(11,967)	(21,163)	(24,000)	7,812	(15,648)
<u>17,102</u>	<u>29,258</u>	<u>83,006</u>	<u>13,779</u>	<u>804,440</u>
<u>\$ 5,135</u>	<u>\$ 8,095</u>	<u>\$ 59,006</u>	<u>\$ 21,591</u>	<u>\$ 788,792</u>

(This page intentionally left blank)

STATE OF NEW MEXICO

Statement B-1

City of Truth or Consequences

Fire Protection Fund Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal capital grants	-	-	-	-
State operating grants	70,232	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	220	400	378	(22)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>70,452</u>	<u>400</u>	<u>378</u>	<u>(22)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	52,861	55,275	25,500	29,775
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	55,652	71,589	41,776	29,813
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>108,513</u>	<u>126,864</u>	<u>67,276</u>	<u>59,588</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(38,061)</u>	<u>(126,464)</u>	<u>(66,898)</u>	<u>59,566</u>
<i>Other financing sources (uses)</i>				
Designated cash	38,061	126,464	-	(126,464)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>38,061</u>	<u>126,464</u>	<u>-</u>	<u>(126,464)</u>
<i>Net change in fund balance</i>	-	-	(66,898)	(66,898)
<i>Fund balance - beginning of year</i>	-	-	130,565	130,565
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,667</u>	<u>\$ 63,667</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ (66,898)
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				197,980
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				(109,605)
Net change in fund balances (GAAP basis)				<u>\$ 21,477</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Recreation Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

Statement B-2

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	425	439	439	-
Gasoline and motor vehicle	-	-	-	-
Other	5,000	5,000	4,985	(15)
<i>Intergovernmental:</i>				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	8,500	9,129	9,129	-
Licenses and fees	-	-	-	-
Interest income	35	113	112	(1)
Miscellaneous	30	30	20	(10)
<i>Total revenues</i>	13,990	14,711	14,685	(26)
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	20,875	15,875	10,647	5,228
Capital outlay	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	20,875	15,875	10,647	5,228
<i>Excess (deficiency) of revenues over expenditures</i>	(6,885)	(1,164)	4,038	5,202
<i>Other financing sources (uses)</i>				
Designated cash	6,885	1,164	-	(1,164)
Transfers in	-	-	-	-
Transfers out	-	-	(4,449)	(4,449)
<i>Total other financing sources (uses)</i>	6,885	1,164	(4,449)	(5,613)
<i>Net change in fund balance</i>	-	-	(411)	(411)
<i>Fund balance - beginning of year</i>	-	-	28,322	28,322
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 27,911	\$ 27,911
Net change in fund balances (non-GAAP budgetary basis)				\$ (411)
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				\$ (411)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

City of Truth or Consequences
 Corrections Fees Fund Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	9,000	9,000	7,480	(1,520)
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,000</u>	<u>9,000</u>	<u>7,480</u>	<u>(1,520)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	11,000	-	8,141	(8,141)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,000</u>	<u>-</u>	<u>8,141</u>	<u>(8,141)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,000)</u>	<u>9,000</u>	<u>(661)</u>	<u>(9,661)</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	(11,000)	-	11,000
Transfers in	2,000	2,000	2,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,000</u>	<u>(9,000)</u>	<u>2,000</u>	<u>11,000</u>
<i>Net change in fund balance</i>	-	-	1,339	1,339
<i>Fund balance - beginning of year</i>	-	-	10,289	10,289
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,628</u>	<u>\$ 11,628</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ 1,339
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				<u>\$ 1,339</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Law Enforcement Protection Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

Statement B-4

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	27,200	-	27,200	27,200
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>27,200</u>	<u>-</u>	<u>27,200</u>	<u>27,200</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	42,000	64,700	63,300	1,400
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>42,000</u>	<u>64,700</u>	<u>63,300</u>	<u>1,400</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(14,800)</u>	<u>(64,700)</u>	<u>(36,100)</u>	<u>28,600</u>
<i>Other financing sources (uses)</i>				
Designated cash	4,800	31,700	-	(31,700)
Transfers in	10,000	33,000	33,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>14,800</u>	<u>64,700</u>	<u>33,000</u>	<u>(31,700)</u>
<i>Net change in fund balance</i>	-	-	(3,100)	(3,100)
<i>Fund balance - beginning of year</i>	-	-	5,141	5,141
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,041</u>	<u>\$ 2,041</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ (3,100)
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				<u>\$ (3,100)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Lodger's Tax Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	118,000	138,362	138,362	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	45,000	40,159	39,620	(539)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	200	422	442	20
Miscellaneous	400	300	300	-
<i>Total revenues</i>	<u>163,600</u>	<u>179,243</u>	<u>178,724</u>	<u>(519)</u>
<i>Expenditures:</i>				
Current:				
General government	149,780	144,566	133,998	10,568
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	14,000	100,000	35,976	64,024
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>163,780</u>	<u>244,566</u>	<u>169,974</u>	<u>74,592</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(180)</u>	<u>(65,323)</u>	<u>8,750</u>	<u>74,073</u>
<i>Other financing sources (uses)</i>				
Designated cash	180	65,323	-	(65,323)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>180</u>	<u>65,323</u>	<u>-</u>	<u>(65,323)</u>
<i>Net change in fund balance</i>	-	-	8,750	8,750
<i>Fund balance - beginning of year</i>	-	-	85,686	85,686
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,436</u>	<u>\$ 94,436</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ 8,750
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				<u>1,215</u>
Net change in fund balances (GAAP basis)				<u>\$ 9,965</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Municipal Streets Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

Statement B-6

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	120,000	96,073	96,074	1
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	56,482	69,059	69,058	(1)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	5,600	11,301	11,301	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	182,082	176,433	176,433	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	268,738	246,734	240,466	6,268
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	25,167	25,167	25,166	1
Interest	4,712	4,712	4,711	1
<i>Total expenditures</i>	298,617	276,613	270,343	6,270
<i>Excess (deficiency) of revenues over expenditures</i>	(116,535)	(100,180)	(93,910)	6,270
<i>Other financing sources (uses)</i>				
Proceeds from loan	1,520,535	-	-	-
Designated cash	(1,404,000)	36,180	-	(36,180)
Transfers in	-	94,000	94,000	-
Transfers out	-	(30,000)	(30,000)	-
<i>Total other financing sources (uses)</i>	116,535	100,180	64,000	(36,180)
<i>Net change in fund balance</i>	-	-	(29,910)	(29,910)
<i>Fund balance - beginning of year</i>	-	-	330,254	330,254
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 300,344	\$ 300,344
Net change in fund balances (non-GAAP budgetary basis)				\$ (29,910)
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				(10,405)
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				7,469
Net change in fund balances (GAAP basis)				\$ (32,846)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Veteran's Wall Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal capital grants	-	-	-	-
State operating grants	232,107	226,916	24,507	(202,409)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	820	820	-
<i>Total revenues</i>	<u>232,107</u>	<u>227,736</u>	<u>25,327</u>	<u>(202,409)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	3,000	2,418	1,959	459
Capital outlay	224,357	224,357	22,846	201,511
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>227,357</u>	<u>226,775</u>	<u>24,805</u>	<u>201,970</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>4,750</u>	<u>961</u>	<u>522</u>	<u>(439)</u>
<i>Other financing sources (uses)</i>				
Designated cash	(4,775)	(2,861)	-	2,861
Transfers in	1,900	1,900	1,900	-
Transfers out	(1,875)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(4,750)</u>	<u>(961)</u>	<u>1,900</u>	<u>2,861</u>
<i>Net change in fund balance</i>	-	-	2,422	2,422
<i>Fund balance - beginning of year</i>	-	-	912	912
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,334</u>	<u>\$ 3,334</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ 2,422
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				<u>\$ 2,422</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
DWI Grant Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

Statement B-8

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	139,138	154,088	131,602	(22,486)
State capital grants	-	-	-	-
Charges for services	30,187	30,187	20,786	(9,401)
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>169,325</u>	<u>184,275</u>	<u>152,388</u>	<u>(31,887)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	169,325	186,873	159,991	26,882
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>169,325</u>	<u>186,873</u>	<u>159,991</u>	<u>26,882</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(2,598)</u>	<u>(7,603)</u>	<u>(5,005)</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	2,598	-	(2,598)
Transfers in	-	3,000	3,000	-
Transfers out	-	(3,000)	(3,000)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>2,598</u>	<u>-</u>	<u>(2,598)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(7,603)</u>	<u>(7,603)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>96,315</u>	<u>96,315</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,712</u>	<u>\$ 88,712</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ (7,603)
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				22,155
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				<u>227</u>
Net change in fund balances (GAAP basis)				<u>\$ 14,779</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
State Library Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal capital grants	-	-	-	-
State operating grants	21,367	21,974	21,174	(800)
State capital grants	-	-	-	-
Charges for services	7,667	10,656	10,656	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	2,500	3,173	3,172	(1)
<i>Total revenues</i>	<u>31,534</u>	<u>35,803</u>	<u>35,002</u>	<u>(801)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	26,046	25,703	23,079	2,624
Capital outlay	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>26,046</u>	<u>25,703</u>	<u>23,079</u>	<u>2,624</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>5,488</u>	<u>10,100</u>	<u>11,923</u>	<u>1,823</u>
<i>Other financing sources (uses)</i>				
Designated cash	(10,976)	(15,588)	-	15,588
Transfers in	5,488	5,488	5,488	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(5,488)</u>	<u>(10,100)</u>	<u>5,488</u>	<u>15,588</u>
<i>Net change in fund balance</i>	-	-	17,411	17,411
<i>Fund balance - beginning of year</i>	-	-	9,286	9,286
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,697</u>	<u>\$ 26,697</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ 17,411
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				<u>\$ 17,411</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Veteran's Wall Perpetual Care Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

Statement B-10

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	7,750	3,100	2,710	(390)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	20	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	7,770	3,100	2,710	(390)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	1,875	3,100	76	3,024
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	1,875	3,100	76	3,024
<i>Excess (deficiency) of revenues over expenditures</i>	5,895	-	2,634	2,634
<i>Other financing sources (uses)</i>				
Designated cash	(5,895)	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	(5,895)	-	-	-
<i>Net change in fund balance</i>	-	-	2,634	2,634
<i>Fund balance - beginning of year</i>	-	-	4,800	4,800
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 7,434	\$ 7,434
Net change in fund balances (non-GAAP budgetary basis)				\$ 2,634
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				\$ 2,634

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
CDBG Grant Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

Statement B-11

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	1,300	1,300
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 1,300	\$ 1,300
Net change in fund balances (non-GAAP budgetary basis)				\$ -
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				\$ -

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 City of Truth or Consequences
 Law Enforcement Block Grant Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
 For the Year Ended June 30, 2007

Statement B-12

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	314	314
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 314	\$ 314
Net change in fund balances (non-GAAP budgetary basis)				\$ -
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				\$ -

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Effluent Water Fund Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

Statement B-13

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable)
				Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	100,588	450,588	100,588	(350,000)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	100,588	450,588	100,588	(350,000)
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	100,588	100,588	100,588	-
Culture and recreation	-	-	-	-
Capital outlay	-	300,000	-	300,000
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	100,588	400,588	100,588	300,000
<i>Excess (deficiency) of revenues over expenditures</i>	-	50,000	-	(50,000)
<i>Other financing sources (uses)</i>				
Designated cash	-	(50,000)	-	50,000
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(50,000)	-	50,000
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	7,673	7,673
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 7,673	\$ 7,673
Net change in fund balances (non-GAAP budgetary basis)				\$ -
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				\$ -

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Senior Transportation Fund Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

Statement B-14

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>46,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(46,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	46,000	(19,000)	-	19,000
Transfers in	-	19,000	-	(19,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>46,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>37,319</u>	<u>37,319</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,319</u>	<u>\$ 37,319</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ -
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				<u>-</u>
Net change in fund balances (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

City of Truth or Consequences
 Capital Expenditures Capital Projects Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	70	70	68	(2)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>70</u>	<u>70</u>	<u>68</u>	<u>(2)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,650	7,350	6,365	985
Culture and recreation	-	-	-	-
Capital outlay	82,300	83,023	79,670	3,353
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>83,950</u>	<u>90,373</u>	<u>86,035</u>	<u>4,338</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(83,880)</u>	<u>(90,303)</u>	<u>(85,967)</u>	<u>4,336</u>
<i>Other financing sources (uses)</i>				
Designated cash	9,880	16,303	-	(16,303)
Transfers in	74,000	74,000	74,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>83,880</u>	<u>90,303</u>	<u>74,000</u>	<u>(16,303)</u>
<i>Net change in fund balance</i>	-	-	(11,967)	(11,967)
<i>Fund balance - beginning of year</i>	-	-	17,102	17,102
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,135</u>	<u>\$ 5,135</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ (11,967)
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				<u>\$ (11,967)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Morgan Street Flood Control Fund Capital Projects Fund
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2007

Statement B-16

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	-	33,200	-	(33,200)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	33,200	-	(33,200)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	33,200	318,738	306,701	12,037
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	57,795	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	90,995	318,738	306,701	12,037
<i>Excess (deficiency) of revenues over expenditures</i>	(90,995)	(285,538)	(306,701)	(21,163)
<i>Other financing sources (uses)</i>				
Designated cash	(25,300)	285,538	-	(285,538)
Transfers in	116,295	-	285,538	285,538
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	90,995	285,538	285,538	-
<i>Net change in fund balance</i>	-	-	(21,163)	(21,163)
<i>Fund balance - beginning of year</i>	-	-	29,258	29,258
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 8,095	\$ 8,095
Net change in fund balances (non-GAAP budgetary basis)				\$ (21,163)
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				\$ (21,163)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

City of Truth or Consequences
R&R Emergency Fund Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	(1,000)	24,000	-	(24,000)
Transfers in	1,000	1,000	1,000	-
Transfers out	-	(25,000)	(25,000)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(24,000)</u>	<u>(24,000)</u>
<i>Net change in fund balance</i>	-	-	(24,000)	(24,000)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>83,006</u>	<u>83,006</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,006</u>	<u>\$ 59,006</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ (24,000)
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in fund balances (GAAP basis)				<u>\$ (24,000)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
FAA Project Fund Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis)
For the Year Ended June 30, 2007

Statement B-18

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	553,800	890,088	141,357	(748,731)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>553,800</u>	<u>890,088</u>	<u>141,357</u>	<u>(748,731)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	55,300	84,332	44,289	40,043
Culture and recreation	-	-	-	-
Capital outlay	498,500	817,253	89,748	727,505
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>553,800</u>	<u>901,585</u>	<u>134,037</u>	<u>767,548</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(11,497)</u>	<u>7,320</u>	<u>18,817</u>
<i>Other financing sources (uses)</i>				
Designated cash	(1,000)	2,997	-	(2,997)
Transfers in	1,000	8,500	8,500	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>11,497</u>	<u>8,500</u>	<u>(2,997)</u>
<i>Net change in fund balance</i>	-	-	15,820	15,820
<i>Fund balance - beginning of year</i>	-	-	13,779	13,779
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,599</u>	<u>\$ 29,599</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ 15,820
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				<u>(8,008)</u>
Net change in fund balances (GAAP basis)				<u>\$ 7,812</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-19

City of Truth or Consequences

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual (Cash)

For the Year Ending June 30, 2007

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	209,000	219,521	219,521	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	7,200	13,867	26,229	12,362
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>216,200</u>	<u>233,388</u>	<u>245,750</u>	<u>12,362</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	200	937	937	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt service:</i>				
Principal	100,448	97,007	93,179	3,828
Interest	84,785	7,880	77,880	(70,000)
<i>Total expenditures</i>	<u>185,433</u>	<u>105,824</u>	<u>171,996</u>	<u>(66,172)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>30,767</u>	<u>127,564</u>	<u>73,754</u>	<u>(53,810)</u>
<i>Other financing sources (uses)</i>				
Designated cash	(30,767)	(127,564)	-	127,564
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(30,767)</u>	<u>(127,564)</u>	<u>-</u>	<u>127,564</u>
<i>Net change in fund balance</i>	-	-	73,754	73,754
<i>Fund balance - beginning of year</i>	-	-	661,726	661,726
<i>Fund Balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 735,480</u>	<u>\$ 735,480</u>

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank)

STATE OF NEW MEXICO
City of Truth or Consequences
Joint Utility Proprietary Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ending June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 6,920,500	\$ 6,578,387	\$ 7,092,471	\$ 514,084
<i>Total operating revenues</i>	<u>6,920,500</u>	<u>6,578,387</u>	<u>7,092,471</u>	<u>514,084</u>
<i>Operating expenses:</i>				
Depreciation	-	-	175,368	(175,368)
Supplies and purchased power	2,086,330	2,222,450	2,321,769	(99,319)
Gross receipts taxes	363,000	424,871	386,058	38,813
Payroll expenses	1,246,593	1,480,876	1,325,021	155,855
Maintenance and materials	1,318,029	1,263,598	164,841	1,098,757
Insurance	195,006	175,673	193,727	(18,054)
Utilities	303,100	308,481	258,910	49,571
Contractual services	638,796	789,267	785,127	4,140
Bad debt expenses	-	-	-	-
Other operating expenses	38,200	512,209	46,092	466,117
<i>Total operating expenses</i>	<u>6,189,054</u>	<u>7,177,425</u>	<u>5,656,913</u>	<u>1,520,512</u>
<i>Operating income (loss)</i>	<u>731,446</u>	<u>(599,038)</u>	<u>1,435,558</u>	<u>2,034,596</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	368,000	381,596	381,407	(189)
Interest expense	(133,989)	(133,989)	(133,988)	1
Interest income	4,700	18,816	18,785	(31)
State operating grants	1,308,395	958,554	722,782	(235,772)
Miscellaneous income	152,707	31,597	29,827	(1,770)
<i>Total non-operating revenues (expenses)</i>	<u>1,699,813</u>	<u>1,256,574</u>	<u>1,018,813</u>	<u>(237,761)</u>
<i>Other financing sources (uses)</i>				
Designated cash	789,639	(265,069)	-	265,069
Transfers in	(446,843)	(392,467)	392,467	784,934
Transfers out	(2,774,055)	-	(2,720,947)	(2,720,947)
<i>Total other financing sources (uses)</i>	<u>(2,431,259)</u>	<u>(657,536)</u>	<u>(2,328,480)</u>	<u>(1,670,944)</u>
<i>Change in net assets</i>	-	-	125,891	125,891
<i>Total net assets, beginning of year</i>	-	-	1,903,479	1,903,479
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,029,370</u>	<u>\$ 2,029,370</u>
Net change in net assets (non-GAAP budgetary basis)				\$ 125,891
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in net assets (GAAP)				<u>\$ 125,891</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Solid Waste Proprietary Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ending June 30, 2007

Statement C-2

	Budgeted Amounts		Actual (GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses:</i>				
Depreciation	-	-	125,133	(125,133)
Supplies and purchased power	-	-	-	-
Gross receipts taxes	-	-	-	-
Payroll expenses	-	-	-	-
Maintenance and materials	-	-	-	-
Insurance	-	-	-	-
Utilities	-	-	-	-
Contractual services	-	-	-	-
Bad debt expenses	-	-	-	-
Other operating expenses	-	464,293	-	464,293
<i>Total operating expenses</i>	-	464,293	125,133	339,160
<i>Operating income (loss)</i>	-	(464,293)	(125,133)	339,160
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	49,000	54,883	54,882	(1)
Interest expense	-	-	-	-
Interest income	5,500	11,454	11,454	-
State operating grants	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	54,500	66,337	66,336	(1)
<i>Other financing sources (uses)</i>				
Designated cash	(54,500)	397,956	-	(397,956)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	(54,500)	397,956	-	(397,956)
<i>Change in net assets</i>	-	-	(58,797)	(58,797)
<i>Total net assets, beginning of year</i>	-	-	1,063,259	1,063,259
<i>Total net assets, end of year</i>	\$ -	\$ -	\$ 1,004,462	\$ 1,004,462
Net change in net assets (non-GAAP budgetary basis)				\$ (58,797)
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in net assets (GAAP)				\$ (58,797)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Cemetery Proprietary Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ending June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 10,000	\$ 13,495	\$ 13,495	\$ -
<i>Total operating revenues</i>	<u>10,000</u>	<u>13,495</u>	<u>13,495</u>	<u>-</u>
<i>Operating expenses:</i>				
Depreciation	-	-	122	(122)
Supplies and purchased power	-	-	-	-
Gross receipts taxes	-	-	-	-
Payroll expenses	-	-	-	-
Maintenance and materials	-	-	-	-
Insurance	-	-	-	-
Utilities	8,000	8,000	3,303	4,697
Contractual services	-	-	-	-
Bad debt expenses	-	-	-	-
Other operating expenses	500	464,793	180	464,613
<i>Total operating expenses</i>	<u>8,500</u>	<u>472,793</u>	<u>3,605</u>	<u>469,188</u>
<i>Operating income (loss)</i>	<u>1,500</u>	<u>(459,298)</u>	<u>9,890</u>	<u>469,188</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
State operating grants	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	(1,500)	459,298	-	(459,298)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,500)</u>	<u>459,298</u>	<u>-</u>	<u>(459,298)</u>
<i>Change in net assets</i>	-	-	9,890	9,890
<i>Total net assets, beginning of year</i>	-	-	127,819	127,819
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,709</u>	<u>\$ 137,709</u>
Net change in net assets (non-GAAP budgetary basis)				\$ 9,890
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in net assets (GAAP)				<u>\$ 9,890</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Golf Course Proprietary Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ending June 30, 2007

Statement C-4

	Budgeted Amounts		Actual (GAAP Basis)	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 65,000	\$ 73,502	\$ 73,502	\$ -
<i>Total operating revenues</i>	<u>65,000</u>	<u>73,502</u>	<u>73,502</u>	<u>-</u>
<i>Operating expenses:</i>				
Depreciation	-	-	9,538	(9,538)
Supplies and purchased power	27,000	27,000	7,080	19,920
Gross receipts taxes	3,250	3,746	3,745	1
Payroll expenses	-	-	-	-
Maintenance and materials	-	-	-	-
Insurance	-	-	-	-
Utilities	16,500	16,466	12,453	4,013
Contractual services	53,000	53,000	52,451	549
Bad debt expenses	-	-	-	-
Other operating expenses	27,500	491,793	27,040	464,753
<i>Total operating expenses</i>	<u>127,250</u>	<u>592,005</u>	<u>112,307</u>	<u>479,698</u>
<i>Operating income (loss)</i>	<u>(62,250)</u>	<u>(518,503)</u>	<u>(38,805)</u>	<u>479,698</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	3,250	3,712	3,676	(36)
Interest expense	-	-	-	-
Interest income	-	39	39	-
State operating grants	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>3,250</u>	<u>3,751</u>	<u>3,715</u>	<u>(36)</u>
<i>Other financing sources (uses)</i>				
Designated cash	119,000	574,752	-	(574,752)
Transfers in	(60,000)	(60,000)	50,000	110,000
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>59,000</u>	<u>514,752</u>	<u>50,000</u>	<u>(464,752)</u>
<i>Change in net assets</i>	-	-	14,910	14,910
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>673,287</u>	<u>673,287</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 688,197</u>	<u>\$ 688,197</u>
Net change in net assets (non-GAAP budgetary basis)				\$ 14,910
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in net assets (GAAP)				<u>\$ 14,910</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Airport Proprietary Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ending June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 209,850	\$ 186,704	\$ 191,934	\$ 5,230
<i>Total operating revenues</i>	<u>209,850</u>	<u>186,704</u>	<u>191,934</u>	<u>5,230</u>
<i>Operating expenses:</i>				
Depreciation	-	-	18,324	(18,324)
Supplies and purchased power	16,057	16,022	3,925	12,097
Gross receipts taxes	3,000	3,482	3,482	-
Payroll expenses	74,528	72,498	72,654	(156)
Maintenance and materials	122,500	133,048	133,044	4
Insurance	5,975	6,130	6,129	1
Utilities	9,600	10,629	10,627	2
Contractual services	3,000	672	672	-
Bad debt expenses	-	-	-	-
Other operating expenses	7,850	470,106	5,811	464,295
<i>Total operating expenses</i>	<u>242,510</u>	<u>712,587</u>	<u>254,668</u>	<u>457,919</u>
<i>Operating income (loss)</i>	<u>(32,660)</u>	<u>(525,883)</u>	<u>(62,734)</u>	<u>463,149</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	3,985	3,967	3,966	(1)
Interest expense	-	-	-	-
Interest income	30	27	27	-
State operating grants	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>4,015</u>	<u>3,994</u>	<u>3,993</u>	<u>(1)</u>
<i>Other financing sources (uses)</i>				
Designated cash	68,645	601,889	-	(601,889)
Transfers in	(40,000)	(80,000)	65,000	145,000
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>28,645</u>	<u>521,889</u>	<u>65,000</u>	<u>(456,889)</u>
<i>Change in net assets</i>	-	-	6,259	6,259
<i>Total net assets, beginning of year</i>	-	-	1,664,644	1,664,644
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,670,903</u>	<u>\$ 1,670,903</u>
Net change in net assets (non-GAAP budgetary basis)				\$ 6,259
Adjustments to revenue for tax accruals, earnings on investments, and other deferrals and accruals				-
Adjustments to expenditures for payables, payroll taxes, prepaid expenses and other accruals				-
Net change in net assets (GAAP)				<u>\$ 6,259</u>

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank)

SUPPORTING SCHEDULES

(This page intentionally left blank)

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule Of Collateral Pledged By Depository
For Public Funds
June 30, 2007

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2007	Name and Location of Safekeeper
Bank of the Southwest	FHLMC Pool #E44859 Due 02-01-2008	\$ 3,973	Wells Fargo Bank - Minneapolis, MN
Bank of the Southwest	FNMA ARM Pool #86794 Due 03-01-2018	111,449	Wells Fargo Bank - Minneapolis, MN
Bank of the Southwest	FNMA ARM Pool #91962 Due 05-01-2019	28,586	Wells Fargo Bank - Minneapolis, MN
Bank of the Southwest	FNMA Pool #260024 Due 12-01-2008	10,705	Wells Fargo Bank - Minneapolis, MN
Bank of the Southwest	GNMA I Pool #359595 Due 07-15-2008 7%	3,777	Wells Fargo Bank - Minneapolis, MN
Bank of the Southwest	GNMA II Pool #001536 Due 11-20-2008 7%	3,592	Wells Fargo Bank - Minneapolis, MN
Bank of the Southwest	GNMA II Pool #1573 Due 12-20-2008 7%	2,709	Wells Fargo Bank - Minneapolis, MN
Bank of the Southwest	GNMA II Pool #008466 Due 07-20-2024 7%	65,471	Federal Home Loan Bank - Irving, TX
Bank of the Southwest	GNMA II Pool #080484 Due 01-20-2031 7%	54,368	Federal Home Loan Bank - Irving, TX
Bank of the Southwest	Letter of Credit Due 06-12-2008	250,000	Federal Home Loan Bank - Irving, TX
Bank of the Southwest	Letter of Credit Due 06-12-2008	1,050,000	Federal Home Loan Bank - Irving, TX
Bank of the Southwest	Letter of Credit Due 08-23-2007	150,000	Federal Home Loan Bank - Irving, TX
Bank of the Southwest	Letter of Credit Due 05-16-2008	700,000	Federal Home Loan Bank - Irving, TX
Bank of the Southwest	Letter of Credit Due 11-16-2007	100,000	Federal Home Loan Bank - Irving, TX
Bank of the Southwest	Letter of Credit Due 004-28-2008	100,000	Federal Home Loan Bank - Irving, TX
Bank of the Southwest	Letter of Credit Due 07-09-2007	500,000	Federal Home Loan Bank - Irving, TX
State National Bank	FG M80833 Due 08-01-2010	1,319,350	Federal Home Loan Bank - Irving, TX
State National Bank	Eules TX Ref Due 02-15-2009	9,890	Federal Home Loan Bank - Irving, TX
State National Bank	Eules TX Ref Due 02-15-2009	24,725	Federal Home Loan Bank - Irving, TX
State National Bank	Greenville WW Due 02-15-2009	13,865	Federal Home Loan Bank - Irving, TX
State National Bank	Grandview TX C Due 08-15-2016	25,191	Federal Home Loan Bank - Irving, TX
State National Bank	Grandview TX C Due 08-15-2016	10,077	Federal Home Loan Bank - Irving, TX
Total		<u>\$ 4,537,728</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth of Consequences
Schedule of Deposit and Investment Accounts
June 30, 2007

Schedule II
Page 1 of 2

Bank Account Type / Name	Bank of the Southwest	State National Bank	Wells Fargo Bank	Totals
Checking - AP Clearing	\$ 165,663	\$ -	\$ -	\$ 165,663
Checking - Police Donations	6,572	-	-	6,572
Checking - Airport	24,430	-	-	24,430
Checking - Pledge State Tax	78,474	-	-	78,474
Checking - FFA Airport	29,599	-	-	29,599
Checking - R&R Water	22,541	-	-	22,541
Checking - CI General	5,135	-	-	5,135
Checking - Senior Transportation	37,319	-	-	37,319
Checking - CI Joint Utility	7,836	-	-	7,836
Checking - Solid Waste	93,773	-	-	93,773
Checking - CDBG Comp Plan	1,300	-	-	1,300
Checking - State Fire	63,667	-	-	63,667
Checking - Streets	14,474	-	-	14,474
Checking - DWI HB-108	23,564	-	-	23,564
Checking - Veterans Wall	3,334	-	-	3,334
Checking - DWI	66,992	-	-	66,992
Checking - Veterans Wall Perpetual Care	7,434	-	-	7,434
Checking - Waste Water Repair Reserves	80,992	-	-	80,992
Checking - DWI-UA Screening	4,687	-	-	4,687
Checking - Capital Improvements Reserves	761,729	-	-	761,729
Checking - Emergency Repair	59,006	-	-	59,006
Checking - Emergency Repair Reserves	63,360	-	-	63,360
Checking - Effluent Water	7,673	-	-	7,673
Checking - Electrical Construction	10,092	-	-	10,092
Checking - Electrical Construction Reserves	66,919	-	-	66,919
Checking - General	518,830	-	-	518,830
Checking - Golf Course	25,436	-	-	25,436
Checking - Internal Service	11,655	-	-	11,655
Checking - Joint Utility	710,910	-	-	710,910
Checking - Law Enforcement	2,041	-	-	2,041
Checking - Court Cost	11,628	-	-	11,628
Checking - LLEBG	314	-	-	314
Checking - Lodgers Tax	95,686	-	-	95,686
Checking - Morgan Street Flood Project	8,095	-	-	8,095
Checking - Municipal Recreation	27,710	-	-	27,710
Checking - PO Bond	1,500	-	-	1,500
Checking - PD Confidential	1,216	-	-	1,216
Checking - State Library	-	26,689	-	26,689
Checking - Required Reserve 1998	-	5,131	-	5,131
Checking - Required Reserve 1996 Bond	-	38,285	-	38,285
Checking - Required Reserve 1995 Bond	-	54,949	-	54,949
Checking - Cemetary	-	28,366	-	28,366
Checking - Bond Payment Reserve 1998	-	16,945	-	16,945
Checking - Bond Fund 1996	-	36,028	-	36,028

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

STATE OF NEW MEXICO
City of Truth of Consequences
Schedule of Deposit and Investment Accounts
June 30, 2007

Schedule II
Page 2 of 2

Bank Account Type / Name	Bank of the Southwest	State National Bank	Wells Fargo Bank	Totals
(Continued)				
Checking - Bond Fund 1995	\$ -	\$ 54,825	\$ -	\$ 54,825
Certificate of Deposit - Solid Waste	-	285,870	-	285,870
Certificate of Deposit - R&R Streets	-	285,870	-	285,870
Certificate of Deposit - R&R Sewer	-	228,695	-	228,695
Certificate of Deposit - R & R Water	-	68,438	-	68,438
Certificate of Deposit - Pledge State	-	343,044	-	343,044
Certificate of Deposit - 1996 Refunding Revenue Bond:	-	-	164,761	164,761
U.S. Treasury Money Market Account *	-	-	149,201	149,201
Total On Deposit	3,121,586	1,473,135	313,962	4,908,683
Reconciling Items	(145,039)	8	-	(145,031)
Reconciled Balance, June 30, 2007	<u>\$ 2,976,547</u>	<u>\$ 1,473,143</u>	<u>\$ 313,962</u>	<u>4,763,652</u>
Add: Petty Cash				<u>1,063</u>
Combined Balance Sheet Total June 30, 2007				<u>\$ 4,764,715</u>

* Wells Fargo U.S. Treasury Money Market Account is considered an investment for disclosure purposes

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

(This page intentionally left blank)

COMPLIANCE SECTION



Accounting & Consulting Group, LLP

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

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
Santa Fe, New Mexico
and
City Council Members
City of Truth or Consequences
Truth or Consequences, New Mexico

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, budgetary comparisons for the general fund and the electrical construction special revenue fund and the aggregate remaining fund information of the City of Truth or Consequences (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated December 3, 2007. We have also audited the financial statements of each of the City's nonmajor governmental funds, and component units, the budgetary comparisons for the major debt service fund, the enterprise funds, components units, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents, and have issued our report thereon dated December 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These are items FS 07-02 and FS 07-03.

Certified Public Accountants

2700 San Pedro Northeast (87110-3333) ■ P.O. Box 3130, Albuquerque, New Mexico 87190-3130
866.307.2727 ■ 505.883.2727 ■ Fax 505.884.6719 ■ albuquerque.office@acgnm.com ■ www.acgnm.com

Alamogordo ■ Albuquerque ■ Carlsbad ■ Clovis ■ Hobbs

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Otero County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the following deficiencies described in the accompanying schedule finding and question cost to be material weakness as item FS 07-06.

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 one instance of non-compliance 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 item FS 07-01 and FS 07-07.

We noted certain matters that are required to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items FS 2007-04 and FS 2007-05.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, the Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
December 3, 2007

(This page intentionally left blank)



FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
Santa Fe, New Mexico
and
City Council Members
City of Truth or Consequences
Truth or Consequences, New Mexico

Compliance

We have audited the compliance of the City of Truth or Consequences (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Certified Public Accountants

2700 San Pedro Northeast (87110-3333) ■ P.O. Box 3130, Albuquerque, New Mexico 87190-3130
866.307.2727 ■ 505.883.2727 ■ Fax 505.884.6719 ■ albuquerque.office@acgnm.com ■ www.acgnm.com

Alamogordo ■ Albuquerque ■ Carlsbad ■ Clovis ■ Hobbs

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiencies in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Office of the State Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
December 3, 2007

(This page intentionally left blank)

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
 Schedule Of Expenditures Of Federal Awards
 For The Year Ended June 30, 2007

Schedule III

Federal Grantor/ Passthrough Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Rural Rental Housing Loans (1)	10.415	\$ 1,237,808
Rural Rental Assistance Payments	10.427	169,232
Water and Waste Disposal Loans and Grants (1)	10.770	<u>385,225</u>
Total U.S. Department of Agriculture		<u>1,792,265</u>
U.S. Department of Housing and Urban Development		
Community Development Block Grants / Technical Assistance Program	14.227	5,350
Home Project Loans	14.239	3,756
Public and Indian Housing - Low Rent Public Housing	14.850	432,309
Resident Opportunity and Self Sufficiency (ROSS)	14.870	2,901
Section 8 Housing Choice Vouchers (1)	14.871	<u>714,496</u>
Total U.S. Department of Housing and Urban Development		<u>1,158,812</u>
U.S. Department of Transportation		
Airport Improvement Program (1)	20.106	<u>823,962</u>
Total Federal Financial Assistance		<u>\$ 3,775,039</u>

(1) Denotes Major Federal Financial Assistance Program

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Truth or Consequences (City) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Loans from federal entities are included in federal financial assistance but are not included in expenditures in the financial statements.

2. Subrecipients

The City did not provide any federal awards to subrecipients during the year.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 3,775,039
Less outstanding loans	(1,241,564)
Total expenditures funded by other sources	<u>3,598,895</u>
Total expenditures	<u>\$ 6,132,370</u>

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

(This page intentionally left blank)



STATE OF NEW MEXICO
 City of Truth or Consequences
 Schedule of Finding and Questioned Costs
 For the Year Ended June 30, 2007

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

1. The auditors' report expresses an unqualified opinion on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Truth or Consequences, New Mexico.
2. There were no instances of noncompliance material to the financial statements of the City of Truth or Consequences, New Mexico, disclosed during the audit.

Federal Awards:

3. No material weaknesses were identified during the audit of the major federal award programs.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Truth or Consequences, New Mexico, expresses an unqualified opinion.
6. There were no audit findings disclosed that are required to be reported in accordance with section 501(a) of OMB Circular A-133.
7. The programs tested as major were:

CFDA Number	Federal Program
10.415	Rural Rental Housing Loans
10.770	Water and Waste Disposal Loans and Grants
14.871	Section 8 Housing Choice Vouchers
20.106	Airport Improvement Program

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Truth or Consequences, New Mexico was determined to be a low-risk auditee.

SECTION II – FINANCIAL STATEMENT FINDINGS

Primary Government:

FS 07-01— Pledged Collateral –Deposits

Condition: At June 30, 2007, the City's pledged collateral is composed of out of state bonds that were not rated BAA or above.

Criteria: NMSA 1978 Section 6-10-16 does not allow security (collateral) for deposits of public money that are held in securities that are revenue bonds originating outside of New Mexico unless the bonds are underwritten by a member of the National Association of Securities Dealers and are rated BAA or above.

Cause: The City was not aware of this requirement.

Effect: Collateral being held in securities not specifically allowed by NMSA 6-10-16 results in non-compliance with state statutes and may increase the potential liability and exposure to the loss of the City's public funds in the event of bank closure.

Auditors' Recommendations: The City should review the monthly collateral reports and ensure that collateral is being held in proper securities.

Management's Response: The City of Truth or Consequences Management has met with our auditors and has been briefed on the findings of the audit. We understand the findings and agree to take the recommended actions in the near future to appositively address this finding.

FS 07-02— Internal Control – Maintenance of Capital Assets Detail

Condition: During the year ended June 30, 2007, the City failed to update their capital asset and depreciation schedule to include \$873,054 in electrical upgrades to infrastructure (which are to be capitalized under GASB 34). Also, the City took out a loan with NMFA to purchase a fire truck. The down payment of \$30,000 was capitalized, however, the loan amount of \$110,000 was not capitalized.

Criteria: Sound internal control requires that all subsidiary ledgers are updated timely. Also, NMSA 1978 Section 12-6-10 requires that the City capitalize all capital assets that are \$5,000 or above.

Cause: City personnel did not have adequate training in regards to accounting procedures involving capital assets.

Effect: The result is that the City's net assets would be understated by \$983,054 on the Statement of Net Assets.

Auditors' Recommendations: We recommend that for the City to review periodically review all capital outlay expenditures over \$5,000 to ensure proper accounting treatment.

Management's Response: We understand the findings and agree to take the recommended actions in the near future to appositively address this finding.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Primary Government (Continued):

FS 07-03— Internal Control – Meter Deposit Detail

Condition: During the year ended June 30, 2007, the City failed to reconcile the general ledger meter deposits liability account to the customers meter deposits detail. According to the meter deposit detail, \$73,074 was owed to customers for deposits. The amount of liability on the general ledger at June 30, 2007 was \$85,370.

Criteria: Sound internal control requires that all subsidiary ledgers are updated timely.

Cause: There was a lack of communication between utility department and finance department.

Effect: The result is that the amount of liability for deposits owed to customers was misstated.

Auditors' Recommendations: We recommend that for the City to review periodically reconcile the meter deposit detail to the general ledger.

Management's Response: We understand the findings and agree to take the recommended actions in the near future to appositively address this finding.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Primary Government (Continued):

FS 2007-04 — Preparation of Financial Statements

Condition: The financial statements and related disclosures are not being prepared by the City.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Cause: The City's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting including the preparation of financial statements and related footnote disclosures.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Auditor's Recommendation: We recommend City management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the City develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures

Management's Response: We understand the findings and agree to take the recommended actions in the near future to appositively address this finding.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Primary Government (Continued):

FS 2007-05 — Lack of Procedures to Monitor Internal Control and Lack of Anti-fraud Program

Condition: The City does not have procedures in place to monitor internal control and does not have a documented anti-fraud program.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, deficiencies in the design of controls include the inadequate design or lack of monitoring controls used to assess the design and operating effectiveness of the entity's internal control over time. The Statement also specifically states that lack of an anti-fraud program is a control deficiency.

Cause: The year ended June 30, 2007 is the first year for Statement on Auditing Standards 112 to be in effect. As such, the City was not fully aware of its contents and implications.

Effect: When internal control monitoring procedures and an anti-fraud program are not in place, the possibility that errors in the financial statements may occur and not be detected and occurrence of fraud or abuse is increased.

Auditor's Recommendation: We recommend for the City to implement procedures to monitor internal control and establish an anti-fraud program.

Management's Response: We understand the findings and agree to take the recommended actions in the near future to appropriately address this finding.

FS 2007-06 — Material Misstatements

Condition: Beginning net assets for the year ended June 30, 2007 were restated.

Criteria: According to Statement on Auditing Standard 112, the restatement of previously issued financial statements to reflect the correction of a material misstatement is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal controls.

Cause: Accumulated depreciation and long term debt amounts were restated from prior years.

Effect: Net assets were restated respectively, for the year ended June 30, 2006.

Recommendation: We recommend that the City examine balances on the financial statements and ensure that they are correct.

Management's Response: We understand the findings and agree to take the recommended actions in the near future to appropriately address this finding.

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Finding and Questioned Costs
For the Year Ended June 30, 2007

Schedule IV
Page 6 of 10

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Primary Government (Continued):

FS 2007-07 Exceeded Budget Authority

Condition: City of Truth or Consequences exceeded the budgeted expenditures in the following funds:

<u>Governmental Funds</u>	<u>Amount</u>
Correction Fees Special Revenue Fund	\$ 8,141
Debt Service Fund	\$ 66,172

Designated cash appropriations in excess of available balances in the following funds:

<u>Governmental Funds</u>	<u>Amount</u>
General Fund	\$ 221,391
Law Enforcement Protection Special Revenue Fund	\$ 26,559
Morgan Street Flood Control Special Revenue Fund	\$ 4,816

Proprietary Funds

Cemetery Fund	\$ 331,479
---------------	------------

Criteria: All Town funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, 1978 Compilation.

Cause: The Town policies and procedures do not prevent over expenditure of funds nor require budget adjustments when necessary.

Effect: Any expenditure in excess of the approved budget(s) shall be a liability against the officials so allowing or paying such claims or warrants, and recovery of such excess amounts so allowed or paid may be had against the bondsmen of such official.

Auditors' Recommendation: Consideration should be given to training staff and assigning accountability to appropriate individuals. Greater attention should be given to the budget monitoring process.

Management's Response: We understand the findings and agree to take the recommended actions in the near future to appositively address this finding.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Component Unit:

FS 2007-01 — Pledged Collateral – Deposits

Condition: During the year ended June 30, 2007, the Housing Authority's pledged collateral is composed of local Texas entities, that were not rated BAA or above.

Criteria: NMSA 1978 Section 6-10-16 does not allow security (collateral) for deposits of public money that are held in securities that are revenue bonds originated outside of New Mexico unless the bonds are underwritten by a member of the National Association of Securities Dealers and are rated BAA or above.

Cause: The Housing Authority was not aware of this requirement.

Effect: Collateral being held in securities not specifically allowed by NMSA 6-10-16 results in non-compliance with state statutes and may increase the potential liability and exposure to the loss of the Housing Authority's public funds in the event of bank closure.

Auditors' Recommendations: The Authority should review the monthly collateral reports and ensure that collateral is being held in proper securities.

Management's Response: The Housing Authority has contacted State National Bank and requested a change in the type of pledged securities to bring them into compliance with state statute 6-10-16 NMSA 1978. State National Bank has agreed and the change was put into effect on November 5, 2007 for future pledged collateral.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Component Unit (Continued):

FS 2007-02 — Preparation of Financial Statements

Condition: The financial statements and related disclosures are not being prepared by the Authority.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Cause: The Authority's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting including the preparation of financial statements and related footnote disclosures.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Auditor's Recommendation: We recommend District management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the District develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures

Management's Response: The Authority is in agreement with the Auditor's recommendation that management and personnel receive ongoing training in the requirements of external financial reporting. The Authority further accepts the finding that the financial statements and related disclosures are not being prepared by the Authority. After review of this finding and the requirements to correct this finding, it has been determined that the excess resources required, both financially and in personnel, will likely prohibit the Authority from meeting this requirement.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Component Unit (Continued):

FS 2007-03 — Lack of Procedures to Monitor Internal Control and Lack of Anti-fraud Program

Condition: The Housing Authority does not have procedures in place to monitor internal control and does not have a documented anti-fraud program

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, deficiencies in the design of controls include the inadequate design or lack of monitoring controls used to assess the design and operating effectiveness of the entity's internal control over time. The Statement also specifically states that lack of an anti-fraud program is a control deficiency.

Cause: The year ended June 30, 2007 is the first year for Statement on Auditing Standards 112 to be in effect. As such, the Authority was not fully aware of its contents and implications.

Effect: When internal control monitoring procedures and an anti-fraud program are not in place, the possibility that errors in the financial statements may occur and not be detected and occurrence of fraud or abuse is increased.

Auditor's Recommendation: We recommend for the Authority to implement procedures to monitor internal control and establish an anti-fraud program.

Management's Response: The Authority currently has internal control guidelines in place, however, procedures are not routinely monitored to ensure the guidelines continue to be followed appropriately. The Authority will implement a plan of action to ensure the continued monitoring of internal controls by a member of the management team. The Authority will further work to establish an anti-fraud program to be utilized in conjunction with existing internal controls and continued monitoring.

(This page intentionally left blank)

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Finding and Questioned Costs
For the Year Ended June 30, 2007

Schedule IV
Page 10 of 10

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR AUDIT FINDINGS

FS 2005-01 Exceeded Budget Authority – revised and repeated

SECTION V – OTHER DISCLOSURES

Auditor Prepared Financials

The financial statements presented in this report were prepared by the auditors, Accounting & Consulting Group, LLP.

Exit Conference

The contents of this report were discussed on December 3, 2007. The following individuals were in attendance.

City of Truth or Consequences

Jimmy L. Rainey, Commissioner
Jaime R. Aguilera, City Manager
Helen Bellis, Finance Director
Linda Baur, Assistant City Manager

Accounting & Consulting Group, LLP

Jeff McWhorter, CPA,

