

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES**

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2008

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CITY OF TRUTH OR CONSEQUENCES
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**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
DIRECTORY OF OFFICIALS
JUNE 30, 2008**

ELECTED OFFICIALS

Lori S. Montgomery	Mayor
Jerry Stagner	Mayor Pro-Tem
Steven Green	City Councilor
Evelyn B. Renfro	City Councilor
Freddie J. Torres	City Councilor

DEPARTMENT HEADS

Jaime R. Aguilera	City Manager
Mary B. Penner	City Clerk
Russ Peterson	Chief of Police
Thomas Hawkins	Municipal Judge
Jay Rubin	City Attorney

HOUSING AUTHORITY

Kathleen Trujillo	Chairman
Greg D'Amour	Commissioner
Doti Coffee	Commissioner
LeeAnn Tooley	Commissioner
Adrian O'Neill	Commissioner
Marie Bradley	Executive Director

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
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, each major fund, and the aggregate remaining fund information of the City of Truth or Consequences, New Mexico (City) as of and for the year ended June 30, 2008, 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, and nonmajor enterprise funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Truth or Consequences Housing Authority, a component unit of the City whose statements reflect total assets of \$4,668,776, net assets of \$3,386,229 as of June 30, 2008, and revenues of \$1,758,746 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Truth or Consequences Housing Authority, is based on the report of the other auditors.

Except as discussed in the following paragraph, 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 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.

We did not observe the taking of the physical inventories at June 30, 2008 (stated at \$167,801 within the governmental activities; \$65,792 within the general fund; \$102,009 within the internal service fund; \$1,000,931 within the business-type activities and the joint utility fund), since that date was prior to the time we were initially engaged as auditors for the City. We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventories taken as of June 30, 2008, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position, and where applicable cash flows thereof, and the budgetary comparison statement for the general 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 previously above present fairly, in all material respects, the financial position of each nonmajor governmental, and enterprise funds of the City, as of June 30, 2008, and the respective changes in financial position and cash flows where applicable, thereof, and the budgetary comparison statements for the major FAA project fund, debt service fund, major enterprise funds, and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2009 on our consideration of the City of Truth or Consequences' 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 or on 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 accompanying management's discussion and analysis on pages four through sixteen 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 performed for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the funds budgetary comparison statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements and other opinion units listed above. The additional schedules listed as supplemental financial information and supplemental federal financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and other opinion units listed above. Such information have been subjected to the auditing procedures applied in the audit of the opinion basic financial statements and other units listed above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements and other opinion units listed above taken as a whole.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

June 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The following is an overview of the financial condition for the City of Truth or Consequences, New Mexico (City), for the fiscal year ended June 30, 2008. This narrative highlights the major aspects of the City's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

- The City assets exceeded liabilities by \$16,720,165 at June 30, 2008. Approximately 34% of the City's net assets may be used to meet the City's ongoing obligations to citizens and creditors. As a result of operations, the City increased its net assets by \$2,893,715.
- Unrestricted cash at June 30, 2008, totaled \$3,453,411. Current liabilities, including the current portion of long-term liabilities at June 30, 2008, amounted to \$1,262,716.
- Investment in capital assets for the City total \$16,028,993, net of accumulated depreciation at June 30, 2008. These capital assets included land, construction in process, buildings and improvements, infrastructure, utility system, airport infrastructure, golf course infrastructure equipment, and vehicles.
- Long-term debt for the City at the end of the year was \$7,291,406. During the year, the City remitted \$417,605 to reduce outstanding debt.
- The City of Truth or Consequences' fund balances have been increasing over the past two years. Fund increases are due to gross receipts taxes, utility accounts and investment income. The City of Truth or Consequences owns its own electric department and the utility produces a large revenue stream for the City.
- The City of Truth or Consequences standardized and created parity for City employees in fiscal year 2007/2008 at a cost of approximately \$200,000. These reviews are made to become competitive with the surrounding communities with emphasis in the public safety sector.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 the City's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Statements (continued)

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City 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 the City include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the City include water, solid waste, wastewater, electric, airport, cemetery, and golf course. The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Public Housing Authority. The Housing Authority is referred to as the component unit.

Detailed financial information for the Housing Authority is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages seventeen and eighteen of this report.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental, proprietary, and fiduciary 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 evaluating a government's near-term requirements.

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 City's 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.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Governmental Funds (continued)

In addition to the general fund, the City maintains twenty-one other individual governmental funds of which twelve are classified as special revenue funds; eight are classified as a capital projects fund, and one is classified as a debt service fund. Information for the general fund, FAA project fund, and the debt service fund, which are considered major funds, is presented separately in the government fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements following the notes to the financial statements.

The City adopts an annual appropriated budget for all of its funds. The budgetary comparison statement for the general fund is located on page twenty-three. Budgetary comparison statements for the special revenue and capital projects funds are located on pages sixty-nine through one hundred ten. The basic governmental fund financial statements can be found on page nineteen through twenty-one of this report.

Proprietary Funds

The City maintains two types of proprietary funds; enterprise and internal service funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages twenty-four through twenty-six of this report.

Enterprise Funds

The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, solid waste, wastewater, and electric services provided to the citizens. Additionally, the City uses enterprise funds to account for an airport, cemetery, and golf course.

The enterprise fund financial statements provide separate information for the joint utility fund and the airport fund; both of which are considered major funds of the City. Data from the non-major enterprise funds are combined into a single aggregated presentation. Individual fund data for the non-major enterprise funds is provided in the form of combining statements located on pages ninety-five through ninety-seven.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, or funds of the City on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service funds are consolidated in the governmental column when presented in the government-wide financial statements.

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 the fund financial statements. The notes to the financial statements can be found on pages twenty-seven through sixty-two of this report.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Other Information

The combining statements referred to earlier in connection with non-major are presented immediately following the notes to the financial statements. Combining governmental fund statements can be found on pages sixty-three through sixty-eight of this report. Combining nonmajor proprietary fund statements can be found on pages ninety-five through ninety-seven of this report.

Government-Wide Financial Analysis

The City has restated the net assets and associated assets and liabilities as of June 30, 2008. Note 11 provides detail as to the restatements. The condensed financial information for the fiscal year ended June 30, 2008, presented below, and has not been changed to reflect the restatement of net assets.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$16,720,165 at the close of the most recent fiscal year. Sixty-one percent of the City's net assets are composed of investment in capital assets (e.g., land, buildings, machinery, and equipment) less any debt, used to acquire those assets, that is still outstanding. The City uses these assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's 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.

	Condensed Statement of Net Assets					
	Governmental Activities		Business-type Activities		Total	
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/08	06/30/07
Assets:						
Current and other assets	\$ 3,784,634	\$ 2,310,245	\$ 4,892,082	\$ 4,494,598	\$ 8,676,716	\$ 6,804,843
Capital assets, net of accumulated depreciation	8,142,172	7,248,533	7,886,821	6,835,999	16,028,993	14,084,532
Total assets	11,926,806	9,558,778	12,778,903	11,330,597	24,705,709	20,889,375
Liabilities:						
Current liabilities	516,650	(600,141)	746,066	1,404,085	1,262,716	803,944
Long-term liabilities	2,774,664	2,434,136	3,948,164	3,634,141	6,722,828	6,068,277
Total liabilities	3,291,314	1,833,995	4,694,230	5,038,226	7,985,544	6,872,221
Net Assets:						
Invested in capital assets, net of related debt	6,162,884	4,791,592	3,988,967	3,399,249	10,151,851	8,190,841
Restricted	891,551	998,078	-	-	891,551	998,078
Unrestricted	1,581,057	1,935,113	4,095,706	2,893,122	5,676,763	4,828,235
Total net assets	\$ 8,635,492	\$ 7,724,783	\$ 8,084,673	\$ 6,292,371	\$ 16,720,165	\$ 14,017,154

The remaining balance of unrestricted net assets \$5,676,763 may be used to meet the government's ongoing obligations to citizens and creditors. As a result of operations, the City increased its net assets by \$2,893,715 during the fiscal year. At the end of the current fiscal year, the City is able to report positive balances in the two categories of net assets.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Analysis (continued)

At June 30, 2007, unrestricted cash totaled \$4,764,715. At the end of the current year, unrestricted cash totaled \$3,453,411; a decrease of \$1,311,304. There were many funds that reflected increases and decreases in cash. The largest decrease occurred in the joint utility fund where cash decreased by \$886,682.

At June 30, 2007, receivables for the City equaled \$812,082. At June 30, 2008, the receivables totaled \$1,354,150. The net increase in the receivables was \$542,068. The majority of the increase is attributed to taxes. The majority of the taxes will be collected shortly after year-end and no allowance for doubtful receipts has been recorded for those types of receivables.

Current and other assets within the governmental activities increased from \$2,310,245 in 2007 to \$3,784,634 in 2008, an increase of \$1,474,389. The reasons for the increase are as follows: cash increased by \$429,766, investments increased by \$552,201, taxes receivable increased by \$460,546, intergovernmental receivables increased by \$15,879, inventory increased by \$26,197, and unamortized bond discount decreased by \$10,200. The increase in tax receivables is due mainly to increased gross receipts taxes while the increase in intergovernmental receivables is due mainly to the DWI grant that had not been received at year end. These changes account for 99 percent of the increase to the governmental activities current assets.

Current and other assets within the business-type activities increased from \$4,494,598 in 2007 to \$4,892,082 in 2008, an increase of \$397,484. In comparing the two years, there was a decrease in cash in the amount of \$1,053,132. Additionally, accounts receivable increased by \$55,509. The remaining portion of the increase in the current assets is within the restricted assets. Restricted assets cash increased from zero to \$1,410,653, while restricted assets cash increased by \$27,262. These two items account for a portion of the increase of business-type current assets from 2007 to 2008.

Government-wide current liabilities consists of accounts payable, accrued salaries, accrued liabilities, accrued interest payable, deferred revenues, and deposits payable at June 30, 2008, equaled \$694,138. At June 30, 2007, the City reported an amount equal to \$466,932. The current liabilities increased by \$227,206. The largest increase occurred in accounts payable. The increase from 2007 was \$117,119.

At June 30, 2007, the long-term debt, including the current portion equaled \$6,405,289. The liabilities increased by \$751,647 during the current fiscal year. During the fiscal year, the City incurred additional debt to purchase various capital assets, deemed necessary to purchase by the City.

The net assets at June 30, 2007, totaled \$14,017,154. Those net assets were restated by the City by decreasing the amount by \$190,704. A majority of the restatement was due to balances at June 30, 2007, with the long-term debt accounts, including compensated absences, were either overstated or understated, depending on the account. The restated balance of \$13,826,450 was increased by \$2,893,715 due to excess revenues over expenses for the current year. The net assets balance at June 30, 2008, amounted to \$16,720,165.

A condensed comparative statement of activities is as follows:

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

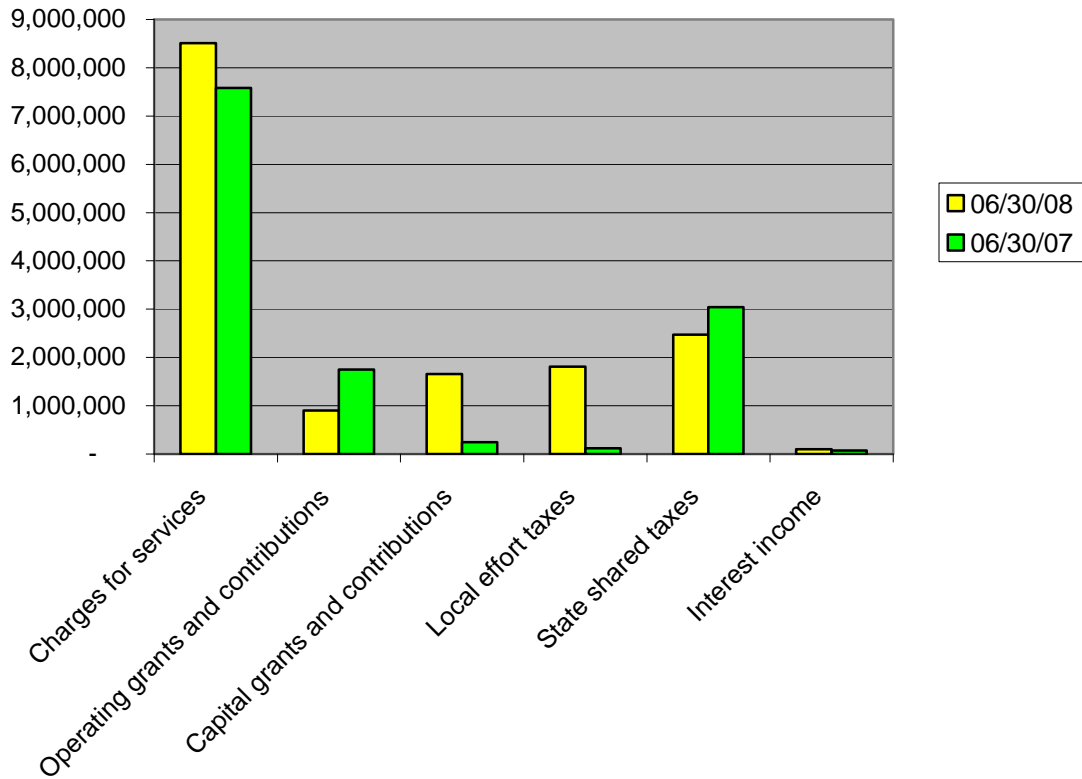
Government-Wide Financial Analysis (continued)

	Condensed Statement of Activities					
	Governmental Activities		Business-type Activities		Total	
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/08	06/30/07
Revenues:						
Program revenues:						
Charges for services	\$ 143,537	\$ 213,202	\$ 8,364,099	\$ 7,371,402	\$ 8,507,636	\$ 7,584,604
Operating grants and contributions	842,416	1,028,527	58,841	722,782	901,257	1,751,309
Capital grants and contributions	1,656,977	241,945	-	-	1,656,977	241,945
General revenues:						
Local effort taxes	1,808,756	119,239	-	-	1,808,756	119,239
State shared taxes	1,972,587	2,600,990	501,516	443,931	2,474,103	3,044,921
Interest income	105,496	40,888	36,966	34,741	142,462	75,629
Insurance proceeds	-	-	1,395	-	1,395	-
Miscellaneous	-	15,579	-	31,824	-	47,403
Gain (Loss) on disposal of assets	3,229	-	-	-	3,229	-
Total revenues	6,532,998	4,260,370	8,962,817	8,604,680	15,495,815	12,865,050
Expenses:						
General government	1,580,668	1,136,760	-	-	1,580,668	1,136,760
Public safety	1,619,277	1,776,872	-	-	1,619,277	1,776,872
Public works	1,428,749	2,318,009	-	-	1,428,749	2,318,009
Culture and recreation	533,505	557,245	-	-	533,505	557,245
Health and welfare	334,692	200,057	-	-	334,692	200,057
Joint utility	-	-	-	5,792,898	-	5,792,898
Water	-	-	1,042,621	-	1,042,621	-
Solid waste	-	-	898,038	125,133	898,038	125,133
Wastewater	-	-	823,807	-	823,807	-
Electric	-	-	3,587,620	-	3,587,620	-
Airport	-	-	374,897	254,668	374,897	254,668
Cemetery	-	-	4,780	3,605	4,780	3,605
Golf course	-	-	73,293	112,307	73,293	112,307
Interest on long-term debt	160,952	128,461	139,201	-	300,153	128,461
Total expenses	5,657,843	6,117,404	6,944,257	6,288,611	12,602,100	12,406,015
Transfers, net	763,641	2,052,268	(763,641)	(2,052,268)	-	-
Increase in net assets	\$ 1,638,796	\$ 195,234	\$ 1,254,919	\$ 263,801	\$ 2,893,715	\$ 459,035

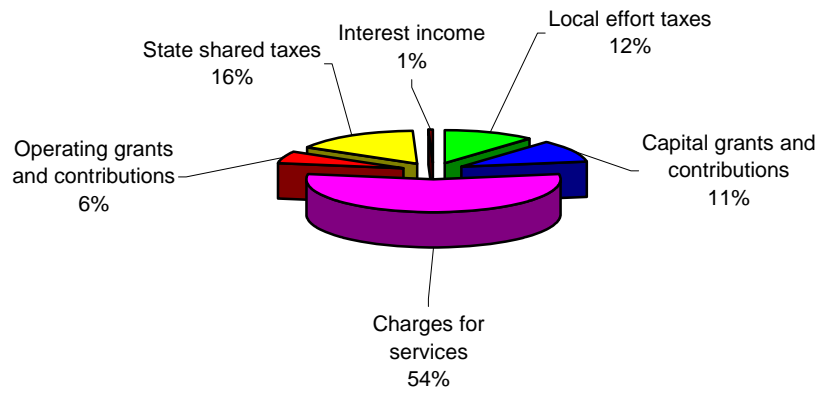
**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Government-Wide Financial Analysis (continued)

**Comparison of Revenues - By Function
All Activities**

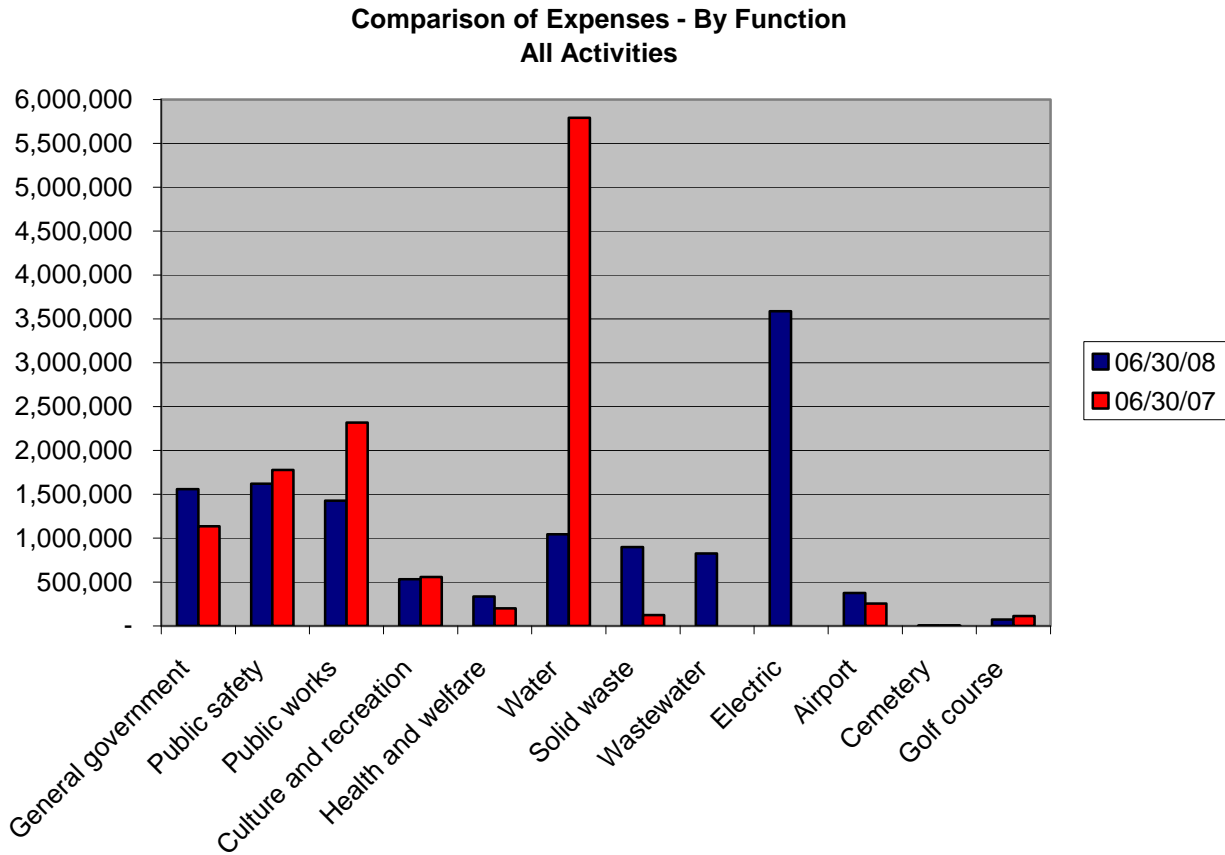


**Total Revenues By Activity
June 30, 2008**



**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Government-Wide Financial Analysis (continued)



The statement of activities from 2008 shows revenue increases in both governmental and business-type activities when compared to the 2007 fiscal year. Specifically, governmental activities program and general revenues increased by \$2,272,628. Increases were noted in capital grants, local effort taxes, and interest income. The largest increase accumulated within the operating and capital grant categories. The increase amounted to \$1,228,921 or approximately ninety-seven percent. The majority of the increase was due to the City receiving and expending additional grant proceeds for various projects throughout the City.

In the current year, governmental activities expenses totaled \$5,657,843. The previous year, governmental activities expenses were equal to \$6,117,404. The decreases in current year expenses amount to \$459,561. The largest increase in governmental activities expenses occurred within the City's general government. For 2007, the City's general government expenses totaled \$1,136,760, and increased by \$443,908 for a total of \$1,580,668. Approximately a 39% increase for general government expenses. The increase of general government expenses was due to increases in personnel salaries and the increase of utilities paid by city departments to the joint utility fund. Expenses for public safety decreased from \$1,776,872 in 2007 to \$1,619,277 in 2008, which is an approximate 9% percent decrease.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Analysis (continued)

This is attributed to increase in salaries and benefits as several positions were filled and benefits were increased in the police departments. Other public safety increases in non-major type funds equaled \$18,816. For 2008, the City reflected an increase in governmental activities net assets of \$1,638,796. In the prior year, the increase was \$195,234. The difference between the years is \$1,443,562.

The business-type activities reflect an increase in net assets of \$1,254,919 for the current fiscal year. In the previous year, the increase amounted to \$263,801; that is a three hundred seventy-six percent increase. Business-type revenues for the current year amounted to \$8,962,817. That amount is an increase of \$358,137 when compared to the previous fiscal year.

For the previous year, the business-type activities reported expenses as \$6,238,611. For the current year, the City reports expenses as \$6,117,404, a decrease of \$121,207.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's 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. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$3,455,507. Approximately fifty-seven percent of this total or \$1,976,549 constitutes undesignated, unreserved fund balances, which are available for spending at the City's discretion. The remainder of the fund balance, \$1,478,958, is reserved for subsequent year's spending (\$587,407) and debt service (\$891,551). The reserved for subsequent year's fund balance is not available for new spending because it has already been committed to next year's budget. The general fund balance of \$1,143,381 represents thirty-three percent of the total governmental fund balances. The City's major funds (general, FAA project, and debt service) fund balance increased by \$674,295 due to operations. While the nonmajor funds operations increased their fund balances by \$45,008.

General fund revenues totaled \$3,524,038 for the fiscal year, while expenditures were \$4,457,051. Expenditures exceeded revenues by \$933,013 prior to transfers in and out of the general fund. During the year, the general fund received \$1,862,451 from other City funds while it transferred \$386,113. The net transfer in of \$1,476,338 netted the deficiency of expenditures over revenues resulting in a net increase of fund balance of \$543,325. Comparing this to the change in net assets of 2007 in the amount of \$60,795, we see the City received \$886,108 more in local and state shared taxes in 2008 than we did in 2007. If the City had received the same amount of local and state shared taxes in 2007, as in 2008, the net change in assets would have been \$946,903, which would have been within \$403,578 of 2008. The City of Truth or Consequences considers this an acceptable fluctuation.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. An analysis of the major proprietary funds is as follows:

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Financial Analysis of the City's Funds (continued)

Proprietary Funds (continued)

The joint utility fund reflects a net increase in net assets in the amount of \$260,257 in the current fiscal year. Comparing this to the increase in net assets of \$291,539 in 2007, we see a decline of \$31,282 from 2007 to 2008. Total revenues (both operating and non-operating) for 2007 were \$8,251,705 compared to 2008 revenues of \$8,561,712. The major difference was in the charge for services as sales of electricity increased by approximately \$800,000. The City also spent more in personnel services: \$133,055 and other operating expenses, \$419,738. These increases in operating expenses and increase in sales revenue, account for the difference between 2007 and 2008.

The airport fund reflects a net change in assets of \$1,004,151 for 2008; while in 2007 the net change in assets amounted to \$6,259. The major difference was attributed to the transfer of \$1,119,487 from other funds. In 2007, the airport received \$65,000 in transfers, while in 2008, the airport received \$1,119,487. Operating expenses increased by \$120,229 in 2008 when compared to 2007. These differences account for the net change in assets.

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the City budgeted general fund revenues at \$3,161,210. The actual revenues for the fiscal year were \$3,143,561, a deficiency of \$17,649. Local effort taxes and shared taxes were under budgeted by \$365 and \$13,685, respectively. This is because of a slight decrease in the GRT for the year. Licenses and permits were over budget by \$524. This is because of the building permits issued during the year with several new large residential projects. Intergovernmental revenues were under budget by \$6,372. The only account the City was under budget was the computer system upgrade grant revenues for the municipal court. The City didn't receive the remaining portion of the grant before the fiscal year closed.

Charges for services were under budget by \$2,127. This was due to various services not rendered and billed by the City during the fiscal year. Fines and forfeitures were under budget by \$2,628. This was due almost entirely to decreased court fine collection, which were \$2,456 under budget. Miscellaneous revenues were over budget by \$6,105 Donations received by the City exceeded budgeted amounts by \$6,155. Interest income was over budget by \$899.

Increases in the original budget were made due to additional income received during the fiscal year, allowing the City to increase the budgeted expenditures.

For the year ended June 30, 2008, the City anticipated that expenditures would exceed revenues and net transfers in by \$246,247. Actual revenues of \$3,143,561 exceeded expenditures of \$4,369,055 and net transfers in of \$1,476,338, producing an excess of revenues over expenditures of \$250,844. General government expenditures showed to be under budget by \$58,756.

STATE OF NEW MEXICO
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General Fund Budgetary Highlights (continued)

The major portion of that was an under budget in less health insurance expenses than what was budgeted. Public safety expenditures showed to be under budget by \$111,407. This was reflected mostly in salaries and benefits for the police department. This was due to some open positions that remained open throughout the year. Public works expenditures showed to be under budget by only \$106,159. Most of that was from being under budget in salaries and benefits by \$69,220, which was due to positions that went unfilled for a portion of the year.

Culture and recreation expenditures showed to be under budget by \$20,636. Some of this is through salaries and benefits, some in purchased property services and the rest in other operating expenses. These categories, over the many departments represented are within the City's anticipated goals. Culture and recreation expenses are harder to estimate because of the unknown participation of citizens in the different programs.

Capital outlay expenditures showed to be under budget by \$9,521. The computer system upgrades for the municipal court were not completed as of June 30th. The City anticipates finishing the project in the first few months of the new fiscal year.

During the fiscal year, the City increased anticipated revenues by \$401,594 when comparing the final budget with the original budget. The City increased anticipated expenditures in the original budget by \$156,814 arriving in the final budget for the fiscal year. The main reason for the increase in the final budgeted revenues from the original budgeted revenues was additional anticipated revenues from sales taxes. During the year, the City increased its budgeted expenditures with the majority of the increases made to public safety and public works.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2007, the City originally reported capital assets as \$14,084,532; \$7,248,533 as governmental activities capital assets and \$6,835,999 as business-type capital assets. The City has restated the governmental activities capital assets by increasing the assets by \$236 and the business-type activities capital assets by increasing the assets by \$6,515. The increase in both the governmental and business-type capital assets was due to accumulated depreciation was miscalculated at the end of the previous fiscal year.

The City's investment in capital assets for the government as of June 30, 2008 amounts to \$16,028,993 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, utility system, infrastructure, equipment, and vehicles.

Major capital assets events during the current fiscal year included the following:

- Governmental Activities – During the fiscal year, the City expended \$1,153,194 for capital assets. Thirty-seven percent of the expenditures were for equipment.
- Business-Type Activities – During the fiscal year, the City expended \$1,417,285 for capital assets. Seventy-three percent of those expenditures were for airport infrastructure improvements.

**STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

	Capital Assets - Net of Accumulated Depreciation					
	Governmental Activities		Business-type Activities		Total	
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/08	06/30/07
Land	\$ 4,718,680	\$ 4,473,897	\$ 1,712,406	\$ 1,712,406	\$ 6,431,086	\$ 6,186,303
Construction in progress	348,484	921,898	-	1,358,696	348,484	2,280,594
Buildings and improvements	1,248,630	1,225,689	620,672	646,314	1,869,302	1,872,003
Infrastructure	898,851	-	-	-	898,851	-
Equipment	763,304	460,092	596,456	482,373	1,359,760	942,465
Utility system	-	-	2,420,178	2,429,057	2,420,178	2,429,057
Airport infrastructure	-	-	2,343,325	-	2,343,325	-
Golf course infrastructure	-	-	10,205	-	10,205	-
Vehicles	164,223	167,193	183,579	213,668	347,802	380,861
Total capital assets	\$ 8,142,172	\$ 7,248,769	\$ 7,886,821	\$ 6,842,514	\$ 16,028,993	\$ 14,091,283

Additional information on the City's assets can be found in note seven on pages forty-four through forty-seven of this report.

Long-Term Debt

At the end of the current year, the City had total debt outstanding of \$7,291,406, which consists of notes, bonds, leases, compensated absences, and landfill post-closure liability. The bonds payable are secured by pledged special assessments gross receipts tax or operating revenues. The state of New Mexico Constitution provides for a legal limit of four percent (4.0%) of taxable valuation for general obligation bonds. The City's taxable value of property in 2007 was \$73,973,940. The City may currently issue up to \$2,958,958 in general obligation bonds. At the present time, the City does not have any general obligation bonds. The 2007 balances have been restated to correct errors.

	Long-Term Debt					
	Governmental Activities		Business-type Activities		Total	
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/08	06/30/07
Notes payable	\$ 1,725,363	\$ 1,824,060	\$ 1,991,209	\$ 2,122,522	\$ 3,716,572	\$ 3,946,582
Bonds payable	1,020,000	1,115,000	1,656,575	1,684,575	2,676,575	2,799,575
Lease purchases payable	253,925	76,188	250,070	-	503,995	76,188
Landfill post closure	-	-	195,130	195,130	195,130	195,130
Compensated absences	109,982	110,392	89,152	81,762	199,134	192,154
Total long-term debt	\$ 3,109,270	\$ 3,125,640	\$ 4,182,136	\$ 4,083,989	\$ 7,291,406	\$ 7,209,629

Additional information on the City's long-term debt can be found in note eight on pages forty-seven through fifty-six of this report.

STATE OF NEW MEXICO
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JUNE 30, 2008

Currently Known Facts, Decisions, or Conditions

Gross receipts showed a decline starting in July 2008. The rate of decline has averaged \$50,000 per month and the projected decline of revenue for fiscal year 2008-2009 is expected to be \$600,000. Although the City budgeted in a conservative fashion, the City had to freeze major purchases, travel, and new hires for the remaining part of fiscal year 2008-2009 and expects the reduced revenues will negatively affect the budget process for fiscal year 2009-2010. Fiscal year 2009-2010 will probably not allow cost of living increases and will begin to erode the gains the City made in pay parity for its employees.

There are two major developments on the horizon for the City. The Hot Springs Land Development and the Spaceport promise to increase GRT and utility revenue, but they cannot be used as revenue producers in the coming fiscal year since they will probably not begin to produce revenue until the following fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Manager, 505 Sims Street, Truth or Consequences, New Mexico 87901.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$ 1,816,595	\$ 1,636,816	\$ 3,453,411	\$ 958,077
Receivables, net of allowance for doubtful accounts:				
Accounts	-	804,317	804,317	150,471
Taxes	493,846	10,134	503,980	-
Intergovernmental	45,853	-	45,853	-
Prepaid expenses	-	-	-	13,979
Inventory	167,801	1,000,931	1,168,732	5,403
Restricted cash	687,938	1,410,653	2,098,591	202,506
Restricted investments	552,201	27,262	579,463	-
Capital assets:				
Land and construction in progress	5,067,164	1,712,406	6,779,570	637,536
Other capital assets, net of depreciation	3,075,008	6,174,415	9,249,423	2,700,804
Unamortized bond expenses	20,400	1,969	22,369	-
Total assets	<u>11,926,806</u>	<u>12,778,903</u>	<u>24,705,709</u>	<u>4,668,776</u>
LIABILITIES				
Accounts payable	73,485	313,677	387,162	21,685
Accrued salaries	78,781	41,699	120,480	-
Accrued expenses	-	-	-	19,565
Accrued interest payable	29,778	52,798	82,576	-
Deferred revenues	-	110	110	-
Deposits payable	-	103,810	103,810	53,400
Long-term liabilities:				
Due within one year	334,606	233,972	568,578	30,405
Due in more than one year	2,774,664	3,948,164	6,722,828	1,157,492
Total liabilities	<u>3,291,314</u>	<u>4,694,230</u>	<u>7,985,544</u>	<u>1,282,547</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,162,884	3,988,967	10,151,851	2,187,978
Restricted for debt service	891,551	-	891,551	135,108
Unrestricted	1,581,057	4,095,706	5,676,763	1,063,143
Total net assets	<u>\$ 8,635,492</u>	<u>\$ 8,084,673</u>	<u>\$ 16,720,165</u>	<u>\$ 3,386,229</u>

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities		
						Total		
Primary Government:								
Governmental activities:								
General government	\$ 1,580,668	\$ 61,422	\$ 171,506	\$ -	\$ (1,347,740)		\$ (1,347,740)	
Public safety	1,619,277	33,520	397,488	19,287	(1,168,982)		(1,168,982)	
Public works	1,428,749	-	246,450	1,593,471	411,172		411,172	
Culture and recreation	533,505	48,595	26,972	44,219	(413,719)		(413,719)	
Health and welfare	334,692	-	-	-	(334,692)		(334,692)	
Interest on long-term debt	160,952	-	-	-	(160,952)		(160,952)	
Total governmental activities	5,657,843	143,537	842,416	1,656,977	(3,014,913)		(3,014,913)	
Business-type activities:								
Water	1,042,621	1,095,052	58,841	-		\$ 111,272	111,272	
Solid waste	898,038	827,857	-	-		(70,181)	(70,181)	
Wastewater	823,807	768,714	-	-		(55,093)	(55,093)	
Electric	3,587,620	5,368,454	-	-		1,780,834	1,780,834	
Airport	374,897	252,712	-	-		(122,185)	(122,185)	
Cemetery	4,780	14,755	-	-		9,975	9,975	
Golf course	73,293	36,555	-	-		(36,738)	(36,738)	
Interest on long-term debt	139,201	-	-	-		(139,201)	(139,201)	
Total business-type activities	6,944,257	8,364,099	58,841	-	-	1,478,683	1,478,683	
Total primary government	\$ 12,602,100	\$ 8,507,636	\$ 901,257	\$ 1,656,977	(3,014,913)	1,478,683	(1,536,230)	
Component Unit:								
Housing Authority	\$ 1,746,405	\$ 390,831	\$ 1,229,880	\$ 138,035				\$ 12,341
General revenues:								
Local effort taxes					1,808,756	-	1,808,756	-
State shared taxes					1,972,587	501,516	2,474,103	-
Insurance proceeds					-	1,395	1,395	-
Interest income					105,496	36,966	142,462	-
Gain (loss) on disposal of assets					3,229	-	3,229	-
Total general revenues					3,890,068	539,877	4,429,945	-
Transfers, net					763,641	(763,641)	-	-
Change in net assets					1,638,796	1,254,919	2,893,715	-
Net assets, beginning of year					7,724,783	6,292,371	14,017,154	3,373,888
Restatements					(728,087)	537,383	(190,704)	-
Net assets, beginning of year restated					6,996,696	6,829,754	13,826,450	3,373,888
Net assets, end of year					\$ 8,635,492	\$ 8,084,673	\$ 16,720,165	\$ 3,386,229

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	FAA Project Fund	Debt Service Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS					
Cash	\$ 783,906	\$ 4,498	\$ 163,077	\$ 822,475	\$ 1,773,956
Receivables, net of allowance for doubtful accounts:					
Taxes	431,531	-	40,536	21,779	493,846
Intergovernmental	3,165	-	-	42,688	45,853
Inventory	65,792	-	-	-	65,792
Restricted:					
Cash	-	-	687,938	-	687,938
Investments	20,718	-	-	531,483	552,201
Total assets	<u>\$ 1,305,112</u>	<u>\$ 4,498</u>	<u>\$ 891,551</u>	<u>\$ 1,418,425</u>	<u>\$ 3,619,586</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 71,138	\$ -	\$ -	\$ 2,348	\$ 73,486
Accrued salaries	78,781	-	-	-	78,781
Deferred revenues	11,812	-	-	-	11,812
Total liabilities	161,731	-	-	2,348	164,079
Fund Balances:					
Reserved:					
Subsequent year's expenditures	247,089	-	-	-	247,089
Subsequent year's expenditures reported in nonmajor:					
Special revenue funds	-	-	-	91,749	91,749
Capital projects funds	-	-	-	248,569	248,569
Debt service	-	-	891,551	-	891,551
Unreserved	896,292	4,498	-	-	900,790
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	406,071	406,071
Capital projects funds	-	-	-	669,688	669,688
Total fund balances	<u>1,143,381</u>	<u>4,498</u>	<u>891,551</u>	<u>1,416,077</u>	<u>3,455,507</u>
Total liabilities and fund balances	<u>\$ 1,305,112</u>	<u>\$ 4,498</u>	<u>\$ 891,551</u>	<u>\$ 1,418,425</u>	<u>\$ 3,619,586</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

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

Total fund balance governmental funds (page nineteen)	\$	3,455,507
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		8,142,172
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		11,812
Unamortized bond expenses		20,400
Certain accrued interest expense is not due and payable in the current period and therefore is not reported in the governmental funds.		(29,778)
Long-term liabilities, including notes payable, that are not due and payable in the current period, and, therefore are not reported in the funds.		(3,109,270)
Residual balances of the internal service funds are included within the governmental activities and are not reported with the governmental funds.		144,648
Rounding		<u>1</u>
Net assets of governmental activities (page seventeen)	\$	<u><u>8,635,492</u></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 ENDED JUNE 30, 2008

	General Fund	FAA Project Fund	Debt Service Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:					
Local effort taxes	\$ 1,614,952	\$ -	\$ -	\$ 181,992	\$ 1,796,944
State shared taxes	1,558,961	-	305,169	108,458	1,972,588
Intergovernmental	218,768	964,168	-	1,297,312	2,480,248
Charges for services	52,216	-	-	32,198	84,414
Licenses and permits	38,074	-	-	-	38,074
Fines and forfeitures	15,878	-	-	-	15,878
Interest	2,761	-	31,515	71,220	105,496
Miscellaneous	22,428	-	-	5,115	27,543
Total revenues	3,524,038	964,168	336,684	1,696,295	6,521,185
Expenditures:					
Current:					
General government	1,381,634	-	836	148,572	1,531,042
Public safety	1,308,864	-	-	255,402	1,564,266
Public works	933,132	-	-	453,322	1,386,454
Culture and recreation	473,793	-	-	49,375	523,168
Health and welfare	260,266	-	-	-	260,266
Capital outlay	99,362	-	-	1,053,832	1,153,194
Debt service:					
Principal	-	-	107,162	139,153	246,315
Interest	-	-	72,604	58,569	131,173
Total expenditures	4,457,051	-	180,602	2,158,225	6,795,878
Excess (deficiency) of revenues over expenditures	(933,013)	964,168	156,082	(461,930)	(274,693)
Other Financing Sources (Uses):					
Loan proceeds	-	-	-	230,355	230,355
Transfers in	1,862,451	45,218	-	358,817	2,266,486
Transfers (out)	(386,113)	(1,034,487)	(11)	(82,234)	(1,502,845)
Total other financing sources (uses)	1,476,338	(989,269)	(11)	506,938	993,996
Net change in fund balances	543,325	(25,101)	156,071	45,008	719,303
Fund balance, beginning of year	569,467	21,591	735,480	1,650,347	2,976,885
Restatement	30,589	8,008	-	(279,278)	(240,681)
Fund balance, beginning of year restated	600,056	29,599	735,480	1,371,069	2,736,204
Fund balances, end of year	\$ 1,143,381	\$ 4,498	\$ 891,551	\$ 1,416,077	\$ 3,455,507

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

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 ENDED JUNE 30, 2008

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

Net change in fund balances total governmental funds (page twenty-one)	\$	719,303
Net change in net assets of internal service funds (page twenty-five)		37,885
Governmental funds report capital outlay as expenditures in the amount of \$1,153,194, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$259,791. The net adjustment is \$893,403.		893,403
Within the statement of activities, the issuance of long-term debt (bonds, loans, and or leases) does not use current financial resources, and, therefore, are not reported as expenditures in the governmental funds.		(230,355)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current periods expenditures, and therefore, are reported as deferred revenue in the funds.		11,812
Accrued interest expense not due within thirty days after year end is not considered in the current period and is not reported in the governmental funds. The increase of the accrued interest liability from the previous year increases the interest expense within the statement of activities.		(29,778)
The repayment of principal of long-term consumes the current financial resources of governmental funds, however, is not recorded as an expense within the statement of activities.		246,315
Governmental funds report the effect of long-term issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities		(10,200)
Decrease in the compensated absences liability is reflected as a reduction of expenses within the statement of activities while the reduction of the expense does not provide a current financial resource and and is not recorded in the governmental funds statement.		410
Rounding		1
Net change in net assets - government-wide financial statements (page eighteen)	\$	1,638,796

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 1,282,929	\$ 1,429,466	\$ 1,429,101	\$ (365)
State shared taxes	1,185,220	1,372,078	1,358,393	(13,685)
Intergovernmental	187,624	229,793	223,421	(6,372)
Charges for services	45,706	54,342	52,215	(2,127)
Licenses and permits	34,400	37,550	38,074	524
Fines and forfeitures	18,500	18,506	15,878	(2,628)
Interest	1,800	1,861	2,760	899
Miscellaneous	3,437	17,614	23,719	6,105
Total revenues	2,759,616	3,161,210	3,143,561	(17,649)
Expenditures:				
Current:				
General government	1,353,222	1,383,360	1,324,604	58,756
Public safety	1,361,948	1,401,989	1,290,582	111,407
Public works	996,065	1,021,127	914,968	106,159
Culture and recreation	483,370	485,015	464,379	20,636
Health and welfare	200,000	248,094	248,093	1
Capital outlay	124,116	135,950	126,429	9,521
Total expenditures	4,518,721	4,675,535	4,369,055	306,480
Excess (deficiency) of revenues over expenditures	(1,759,105)	(1,514,325)	(1,225,494)	288,831
Other Financing Sources (Uses):				
Transfers in	2,122,609	2,175,090	1,862,451	(312,639)
Transfers (out)	(369,734)	(414,518)	(386,113)	28,405
Total other financing sources (uses)	1,752,875	1,760,572	1,476,338	284,234
Net change in cash balance	(6,230)	246,247	250,844	4,597
Cash balance, beginning of year	533,062	533,062	533,062	-
Cash balance, end of year	\$ 526,832	\$ 779,309	\$ 783,906	\$ 4,597

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

BUSINESS-TYPE ACTIVITIES FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Joint Utility Fund	Airport Fund	Total Non-Major Funds	Total	Internal Service Funds
Assets:					
Current assets:					
Cash	\$ 1,050,906	\$ 64,265	\$ 521,645	\$ 1,636,816	\$ 42,639
Receivables (net of allowance):					
Accounts	804,317	-	-	804,317	-
Taxes	-	-	10,134	10,134	-
Inventory	1,000,931	-	-	1,000,931	102,009
Restricted assets:					
Cash	1,410,653	-	-	1,410,653	-
Investments	27,262	-	-	27,262	-
Non-Current assets:					
Land	925,042	-	787,364	1,712,406	-
Buildings and improvements	441,196	498,369	801,237	1,740,802	-
Infrastructure	-	2,393,183	10,205	2,403,388	-
Utility system and facilities	6,262,408	-	-	6,262,408	-
Equipment	2,140,563	32,073	1,195,928	3,368,564	-
Vehicles	741,984	36,740	803,363	1,582,087	-
Less accumulated depreciation	(6,786,717)	(341,050)	(2,055,067)	(9,182,834)	-
Total capital assets, net	3,724,476	2,619,315	1,543,030	7,886,821	-
Non-Current assets:					
Unamortized bond discount	1,969	-	-	1,969	-
Total assets	8,020,514	2,683,580	2,074,809	12,778,903	144,648
Liabilities:					
Current liabilities:					
Accounts payable	309,207	1,337	3,133	313,677	-
Accrued salaries	39,401	2,298	-	41,699	-
Accrued interest payable	52,798	-	-	52,798	-
Customer deposits	103,810	-	-	103,810	-
Deferred revenues	-	110	-	110	-
Current maturities of:					
Bonds payable	29,000	-	-	29,000	-
Leases payable	-	-	33,675	33,675	-
Notes payable	134,785	-	-	134,785	-
Compensated absences	34,696	1,816	-	36,512	-
Total current liabilities	703,697	5,561	36,808	746,066	-
Non-Current liabilities:					
Bonds payable	1,627,575	-	-	1,627,575	-
Leases payable	-	-	216,395	216,395	-
Notes payable	1,856,424	-	-	1,856,424	-
Compensated absences	49,675	2,965	-	52,640	-
Landfill closure and post-closure	195,130	-	-	195,130	-
Total non-current liabilities	3,728,804	2,965	216,395	3,948,164	-
Total liabilities	4,432,501	8,526	253,203	4,694,230	-
Net Assets:					
Invested in capital assets, net of related debt	76,692	2,619,315	1,292,960	3,988,967	-
Unrestricted	3,511,321	55,739	528,646	4,095,706	144,648
Total net assets	\$ 3,588,013	\$ 2,675,054	\$ 1,821,606	\$ 8,084,673	\$ 144,648

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

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, 2008

	Joint Utility Fund	Airport Fund	Total Non-Major Funds	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 8,060,077	\$ 252,712	\$ 51,310	\$ 8,364,099	\$ 252,602
Operating Expenses:					
Personnel services	1,458,076	77,675	-	1,535,751	-
General operating	4,591,630	228,798	69,141	4,889,569	214,717
Depreciation	155,238	68,424	149,315	372,977	-
Amortization	6,759	-	-	6,759	-
Total operating expenses	<u>6,211,703</u>	<u>374,897</u>	<u>218,456</u>	<u>6,805,056</u>	<u>214,717</u>
Operating income (loss)	1,848,374	(122,185)	(167,146)	1,559,043	37,885
Non-Operating Revenues (Expenses):					
State shared taxes	416,611	6,730	78,175	501,516	-
Intergovernmental	58,841	-	-	58,841	-
Insurance proceeds	1,395	-	-	1,395	-
Interest income	24,788	119	12,059	36,966	-
Interest expense	<u>(135,847)</u>	<u>-</u>	<u>(3,354)</u>	<u>(139,201)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>365,788</u>	<u>6,849</u>	<u>86,880</u>	<u>459,517</u>	<u>-</u>
Income (Loss) before transfers	2,214,162	(115,336)	(80,266)	2,018,560	37,885
Transfers:					
Transfers in	-	1,119,487	81,000	1,200,487	-
Transfers (out)	<u>(1,953,905)</u>	<u>-</u>	<u>(10,223)</u>	<u>(1,964,128)</u>	<u>-</u>
Total transfers	<u>(1,953,905)</u>	<u>1,119,487</u>	<u>70,777</u>	<u>(763,641)</u>	<u>-</u>
Change in net assets	260,257	1,004,151	(9,489)	1,254,919	37,885
Net assets, beginning of year	2,791,100	1,670,903	1,830,368	6,292,371	106,763
Restatements	<u>536,656</u>	<u>-</u>	<u>727</u>	<u>537,383</u>	<u>-</u>
Net assets, beginning of year restated	<u>3,327,756</u>	<u>1,670,903</u>	<u>1,831,095</u>	<u>6,829,754</u>	<u>106,763</u>
Net assets, end of year	<u>\$ 3,588,013</u>	<u>\$ 2,675,054</u>	<u>\$ 1,821,606</u>	<u>\$ 8,084,673</u>	<u>\$ 144,648</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

	Joint Utility Fund	Airport Fund	Total Non-Major Fund	Total	Internal Service Funds
Cash Flows From Operating Activities:					
Cash received from customers	\$ 8,035,303	\$ 252,822	\$ 51,310	\$ 8,339,435	\$ 252,602
Cash payments to suppliers for goods and services	(4,518,526)	(227,461)	(86,437)	(4,832,424)	(231,151)
Cash payments to employees for services	(1,485,177)	(78,128)	-	(1,563,305)	-
Net cash provided (used) by operating activities	2,031,600	(52,767)	(35,127)	1,943,706	21,451
Cash Flows From Non-Capital and Related Financing Activities:					
Cash received from state shared taxes	416,611	6,730	68,041	491,382	-
Cash received from intergovernmental sources	58,841	-	-	58,841	-
Cash received from miscellaneous sources	1,395	-	-	1,395	-
Net change in customer deposits	30,736	-	-	30,736	-
Net transfers in (out)	(1,953,905)	85,000	81,000	(1,787,905)	-
Net cash provided (used) by non-capital and related financing activities	(1,446,322)	91,730	149,041	(1,205,551)	-
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	(91,506)	-	(19,037)	(110,543)	-
Principal payments on capital debt	(159,313)	-	(11,980)	(171,293)	-
Interest paid on capital debt	(129,905)	-	(3,354)	(133,259)	-
Net cash (used) by capital and related financing activities	(380,724)	-	(34,371)	(415,095)	-
Cash Flows From Investing Activities:					
Interest income	24,789	119	462	25,370	-
Reclassify cash equivalents at beginning of year as investments	(311,498)	-	(285,870)	(597,368)	285,870
Net cash provided (used) by investing activities	(286,709)	119	(285,408)	(571,998)	285,870
Net increase (decrease) in cash	(82,155)	39,082	(205,865)	(248,938)	21,451
Cash and cash equivalents, beginning of year	2,234,722	25,183	430,043	2,689,948	21,188
Cash and cash equivalents, end of year	<u>\$ 2,152,567</u>	<u>\$ 64,265</u>	<u>\$ 224,178</u>	<u>\$ 2,441,010</u>	<u>\$ 42,639</u>
Displayed as:					
Cash	\$ 1,050,906	\$ 64,265	\$ 521,645	\$ 1,636,816	\$ 42,639
Restricted cash	1,410,653	-	-	1,410,653	-
Time deposits not considered cash equivalents	(308,992)	-	(297,467)	(606,459)	-
	<u>\$ 2,152,567</u>	<u>\$ 64,265</u>	<u>\$ 224,178</u>	<u>\$ 2,441,010</u>	<u>\$ 42,639</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 1,848,374	\$ (122,185)	\$ (167,146)	\$ 1,559,043	\$ 37,885
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	155,238	68,424	149,315	372,977	-
Landfill monitoring	6,759	-	-	6,759	-
Changes in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(55,509)	-	-	(55,509)	-
(Increase) decrease in inventories	46,183	-	-	46,183	(16,434)
Increase (decrease) in accounts payable	57,655	1,337	(17,296)	41,696	-
Increase (decrease) in accrued salaries	17,521	1,183	-	18,704	-
Increase (decrease) in compensated absences	(44,621)	(1,636)	-	(46,257)	-
Increase (decrease) in deferred revenues	-	110	-	110	-
Total adjustments	183,226	69,418	132,019	384,663	(16,434)
Net cash provided (used) by operating activities	<u>\$ 2,031,600</u>	<u>\$ (52,767)</u>	<u>\$ (35,127)</u>	<u>\$ 1,943,706</u>	<u>\$ 21,451</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Truth or Consequences (City), established on July 5, 1945, is a political subdivision of the state of New Mexico, operates under the Mayor-Council form of government. The City provides the following authorized services: public safety (police and fire), highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City's basic financial statements include all activities and accounts of the City's "financial reporting entity."

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. The financial statements of the City of Truth or Consequences Housing Authority have been included in the city's financial statements as a *discretely presented* component unit.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

The Housing Authority is reported as a proprietary fund type. The City appoints the Housing Authority's board of commissioners, and is able to impose its will on the Housing Authority.

Separately issued financial statements may be obtained directly from their administrative office as follows: Executive Director, Truth or Consequences Housing Authority, 108 South Cedar, Truth or Consequences, New Mexico 87901.

There are no other component units during the fiscal year ended June 30, 2008.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) 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 non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund 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 on a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The general fund, FAA Project fund, and the debt service fund are the major governmental funds.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

The joint utility and the airport funds are the major enterprise funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed or when the resources are received, whichever occurs first.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. 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. For this purpose, the City 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 made.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

Ad valorem, franchise, and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues.

In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City reports the following proprietary fund types:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *FAA project fund* accounts for the receipts and disbursements for infrastructure and improvements at the City's airport. Financing is provided from federal and state grants. The fund is authorized by City Council and is required by federal grants for segregating interest earned and for auditing purposes.

The *debt service fund* accounts 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 obligations. The fund is required by bond-obligation requirements.

The City maintains eighteen other individual governmental funds that are considered nonmajor funds; twelve are classified as special revenue funds, and six are classified as capital projects funds. A description of each nonmajor fund is as follows:

Special Revenue Funds

The *fire protection fund* accounts for the operation and acquisition of assets for the volunteer fire department. This fund is financed through the state fire allotment. The fund is authorized by the Fire Protection Act, 59A-53-1, NMSA 1978.

The *recreation fund* accounts for the operations and maintenance of City owned recreation facilities. Financing is provided by a cigarette tax levy to the extent that other revenues are not sufficient to provide such services. The fund is authorized by 7-12-15 and 16, NMSA 1978.

The *corrections fees fund* accounts for the special fees received on citations used to pay for prisoner care. The fund is authorized by Local Government Corrections Fund Act, 33-3-25, NMSA 1978.

The *law enforcement protection fund* accounts for receipts and disbursements of State Funds Chapter 289, Law of 1983. These funds are to enhance the efficiency and effectiveness of the police force. The fund is authorized by Law Enforcement Protection Fund Act, 29-13-3, NMSA 1978.

The *lodger's tax fund* accounts for the operations of promotional activities of the City of Truth or Consequences. Financing is provided primarily by specific tax levy on area motels and hotels. The fund is authorized by 14-37-16, NMSA 1969.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Special Revenue Funds (continued)

The *municipal streets fund* accounts for the receipts and disbursements for City street improvements. Financing, is provided from motor vehicle fees and state grants. The fund is authorized by Section 7-1-6.27, NMSA 1978.

The *veteran's wall fund* accounts for the receipts and disbursements for the operation of the City's Veteran's Memorial Park. The fund is authorized by City Council.

The *DWI grant fund* accounts for receipts and disbursements from federal and state grants to assist the City combat driving while intoxicated. The fund is authorized by City Council.

The *state library fund* accounts for receipts and disbursements for operations of the City's public library. Financing is provided from state grants and private donations. The fund is authorized by NMSL Rule 92-1.

The *veteran's wall perpetual care fund* accounts for receipts related to the columbarium of the City's Veteran's Memorial Park. The fund is authorized by City Council.

The *CDBG fund* accounts for federal revenues and expenditures for water system improvements within the City. The fund is authorized by City Council.

The *law enforcement block grant fund* accounts for federal receipts and disbursements for capital asset and other allowable expenses within the police department. The fund is authorized by City Council.

Capital Projects Funds

The *electrical construction fund* accounts for the receipts and disbursements for improvements to the City's electrical system. Receipts are received from grants and loan proceeds. The fund is authorized by City Council.

The *effluent water fund* accounts for the receipts and disbursements for improvements to the City's water and sewer utility systems. Receipts are received from federal and state grants. The fund is authorized by City Council.

The *senior transportation fund* accounts for the upgrades and improvements to the City's senior citizens center. Financing is provided by various grants. The fund is authorized by Section 13-1-59, NMSA 1978.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Capital Projects Funds (continued)

The *capital expenditures fund* accounts for the receipts and disbursements for the acquisition of capital assets throughout the City. The fund is authorized by City Council.

The *Morgan Street flood control fund* accounts for the receipts and disbursements for the construction of a one hundred year dam. Financing is provided by various grants. The fund is authorized by City Council.

The *R & R emergency fund* accounts for the accumulation of resources to be used in the event of an emergency with an emphasis on construction expenditures. The fund is authorized by City Council.

The City reports the following major business-type funds:

The *joint utility fund* accounts for the provision of electric, water, sewer and wastewater services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The *airport fund* accounts for the operations and maintenance of the airport. Financing is provided by fuel sales and fees for services. The fund is authorized by City Council.

The City maintains three other individual enterprise funds that are considered nonmajor funds. A description of each nonmajor fund is as follows:

The *solid waste fund* accounts for the disposal of solid waste for the residents of the City. The fund is authorized by City Council.

The *cemetery fund* accounts for the operation and maintenance of the City cemetery. Financing is provided through lot sales and fees for services. The fund is authorized by 14-41-1, NMSA 1978.

The *golf course fund* accounts for the operations and maintenance of the City's public golf course. Financing is provided by fees for services. The fund is authorized by City Council.

The City maintains one individual internal service fund. A description of the fund is as follows:

The *internal service fund* accounts for the costs of maintaining the City's vehicle and equipment fleet. The fund bills various City departments to cover the cost of maintaining the City's fleet.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

Budgets for all funds are prepared by management and approved by the City Council and the New Mexico Department of Finance and Administration. The city manager is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the City Council for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval.

DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September. These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year.

The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a reserved portion of fund balance. Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the City's cash and certificates of deposit are stated at cost, which approximates fair value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Cash Flows

For the purpose of the statement of cash flows, the City considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as internal balance. Long term 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.

4. Inventory

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 an expense when consumed rather than when purchased.

5. Restricted Assets

Certain long-term assets in the proprietary funds and the component unit are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as "deposits held in trust for others."

6. Interfund Activity

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

7. Capital Assets

Capital assets include: property, plant, utility systems, equipment, and infrastructure assets. Infrastructure includes streets, sidewalks, bridges, drainage systems, lighting systems, and similar items. Such assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government's internal capitalization policy defines capital assets as assets with an initial individual cost of more than \$100, and an estimated useful life in excess of one year. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the City to capitalize information technology (IT) equipment, including software, is being capitalized and included in furniture, fixtures, and equipment.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Capital Assets (continued)

Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend asset's lives are not capitalized.

During the 2005 regular New Mexico legislative session, the Legislature enacted HB 1074 amending Section 12-6-10, NMSA 1978, and changing the capitalization threshold for movable chattel and equipment from costing more than \$1,000 to items costing more than \$5,000. The 2005 amendment became effective June 17, 2005. The City has elected to continue to capitalize acquisitions of property and equipment, under their internal capitalization policy, of all assets costing more than \$100. The City continues to capitalize certain assets with costs below the threshold because it deems the tracking of such assets to be important. All assets capitalized prior to July 1, 2006, which are property of the City; remain on the financial and accounting records of the City. As allowed by GASB Statement No. 34, the City has retroactively reported all infrastructure assets owned by the municipality.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Net revenue bond interest cost incurred during construction is capitalized when material. The City did not incur an interest on construction projects during the current fiscal year and, as such, no interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and other improvements	20-45
Utility system	33
Public domain infrastructure	40
Machinery and equipment, including vehicles	5-20

8. Compensated Absences

City employees are entitled to certain compensated absences based on their employment classification and length of employment.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Compensated Absences (continued)

Vacation Pay – Each employee of the City may accumulate a total of ten to twenty days vacation per year. Employees may accumulate up to forty days of vacation and carry leave forward from calendar year to calendar year. Upon termination, employees will be paid up to forty days of accrued annual leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if they have matured.

Sick Leave – Each employee of the City may accumulate a total of twelve days of sick leave per year. Sick leave can be carried over from year to year up to one hundred twenty days. Employees are not paid for the accumulated sick leave upon retirement or termination.

9. Deferred Revenues

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the City. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards reflected as receivable but not recognized as revenues since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred revenues and reflected as a liability with the balance sheet.

10. Short-Term Obligations

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

11. Long-Term Obligations

In the government-wide financial statements, long-term obligations and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within the 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Long-Term Obligations (continued)

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets – This category reflects net assets of the City, not restricted for any project or other purpose.

13. Fund Equity Reservation and Designations

In the fund financial statements, governmental funds reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Designations represent tentative managerial plans that are subject to change. Fund equity was reserved or designated for:

Reserved, designated for subsequent year's expenditures – Represents the amounts, other than carryover expenditures, which are required to be designated for subsequent year's expenditures.

Unreserved, undesignated – Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the City.

14. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts are presented as a reduction of the face amount of bonds proceeds whereas issuance costs are recorded as expenditures.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

15. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

16. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash

New Mexico State statutes provide authoritative guidance regarding the deposit of cash and idle cash.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

Cash Deposited With Financial Institutions

The City maintains cash in two institutions within Truth or Consequences, New Mexico and one institution within the state of New Mexico. The City's deposits are carried at cost.

As of June 30, 2008, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. CASH AND INVESTMENTS (continued)

Cash Deposited With Financial Institutions (continued)

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand	\$ -	\$ 1,061	\$ 1,061
Bank of the Southwest	4,059,495	(65,839)	3,993,656
Compass Bank	1,226,301	6	1,226,307
Wells Fargo Bank	330,978	-	330,978
	<u>\$ 5,616,774</u>	<u>\$ (64,772)</u>	<u>\$ 5,552,002</u>
Total cash deposits	<u>\$ 5,616,774</u>	<u>\$ (64,772)</u>	<u>\$ 5,552,002</u>

The amounts reported as cash for the government within the financial statements is displayed as:

Statement of Net Assets:	
Cash	\$ 3,453,411
Restricted cash	<u>2,098,591</u>
Total cash reported on financial statements	<u>\$ 5,552,002</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

All deposits are collateralized with eligible securities, as described by New Mexico State statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. CASH AND INVESTMENTS (continued)

Cash Deposited With Financial Institutions (continued)

	Bank of the Southwest	Compass Bank	Wells Fargo Bank
Checking accounts	\$ 2,855,157	\$ 55,343	\$ -
Saving accounts	1,204,338	207,539	-
Certificates of deposit	-	963,419	330,978
Total deposits	4,059,495	1,226,301	330,978
FDIC coverage	(200,000)	(200,000)	(100,000)
Total uninsured public funds	<u>\$ 3,859,495</u>	<u>\$ 1,026,301</u>	<u>\$ 230,978</u>
Pledged securities	\$ 4,063,102	\$ 1,418,007	\$ -
Collateral requirement (50% of uninsured public funds)	1,929,748	513,151	115,489
Over (under) collateralization	<u>\$ 2,133,354</u>	<u>\$ 904,856</u>	<u>\$ (115,489)</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at 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 City does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$5,116,774 of the City's bank balance of \$5,616,774 was exposed to custodial credit risk as follows:

	Bank of the Southwest	Compass Bank	Wells Fargo Bank	Total
Uninsured and uncollateralized	\$ -	\$ -	\$ 230,978	\$ 230,978
Uninsured and collateral held by pledging banks' trust dept. or agent not in the City's name	3,859,495	1,026,301	-	4,885,796
	<u>\$ 3,859,495</u>	<u>\$ 1,026,301</u>	<u>\$ 230,978</u>	<u>\$ 5,116,774</u>

Investments

Investments at June 30, 2008 were as follows:

Agency	Investment	Maturity	Fair Market Value
NM State Treasurer	Investment Pool	N/A	\$ 73,686
Bank of Albuquerque, N.A.	U.S. Treasury Fund	N/A	505,777
			<u>\$ 579,463</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. CASH AND INVESTMENTS (continued)

Investments (continued)

The amounts reported as investments for the government within the financial statements are displayed as:

Statement of Net Assets:	
Restricted investments	<u>\$ 579,463</u>

Cash Deposited With The New Mexico State Treasurer

New Mexico State statutes authorize the creation of the local short-term investment fund in the New Mexico State Treasury. The statutes authorize the state treasurer to pool monies received from local public bodies for investment purposes with other public monies under his control. The purpose of the local short-term fund is to provide an investment alternative for local political subdivisions to realize the maximum return consistent with safe and prudent management. As of June 30, 2008, the combined balance of the City's investment within the short-term investment fund was \$73,686. The cost basis and the fair market basis of the deposit are equal to \$73,686 (amount of investment).

The investments are valued at fair value based on quoted market prices as of the valuation date. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA_m by Standards and Poor's. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The Local Government Investment Pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary. The yield at June 30, 2008, was 2.3991%.

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio's weighted average maturity is 46-day WAM.

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. CASH AND INVESTMENTS (continued)

Cash Deposited With The New Mexico State Treasurer (continued)

Other Investments

As part of the note agreements and covenants, the City has cash invested, in the amount of \$364,549 at the Bank of Albuquerque, N.A., Trust Department, Albuquerque, New Mexico. Additionally, the City has invested \$141,228 for debt service with the same bank. The cash is invested in a U.S. Treasury Fund. The fund is composed of U.S. Treasury Notes and U.S. T-Bills. The market value at June 30, 2008, reflected by the trust department is \$505,777. The fund is not subject to categorization.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Charges for services	\$ -	\$ 878,657
Less allowance for doubtful accounts	-	(74,340)
	<u>\$ -</u>	<u>\$ 804,317</u>

The City's policy is to provide for uncollectible accounts based upon expected defaults.

4. TAXES RECEIVABLE

Amounts due from local effort and state shared taxes at June 30, 2008, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 54,326	\$ -
Local effort sales taxes	230,302	-
State shared taxes	209,218	10,134
Less allowance for doubtful accounts	-	-
Net taxes receivable	<u>\$ 493,846</u>	<u>\$ 10,134</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

5. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments at June 30, 2008, consisted of the following:

	Governmental Activities	Business-Type Activities
Federal grants	\$ 3,165	\$ -
State grants	42,688	-
Total	\$ 45,853	\$ -

6. PROPERTY TAX

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

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2007, was \$2.225 per \$1,000 for non-residential and \$1.444 for residential property. In the year 2007, there was no tax rate established for payment of bonds principal and interest.

7. CAPITAL ASSETS

During the fiscal year, the City performed an intensive inventory and review of its capitals assets and the subsidiary records. The City discovered errors in the amounts reported at June 30, 2007 within the governmental and business-type activities capital assets. The effect of the changes is as follows:

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. CAPITAL ASSETS (continued)

	Balance 06/30/07	Corrections	Restated Balance 06/30/07
Governmental Capital Assets:			
Land	\$ 4,473,897	\$ -	\$ 4,473,897
Construction in progress	921,898	-	921,898
Buildings and improvements	7,164,998	-	7,164,998
Equipment	1,533,104	-	1,533,104
Vehicles	1,273,670	-	1,273,670
Accumulated depreciation:			
Buildings and improvements	(5,939,309)	-	(5,939,309)
Equipment	(1,073,012)	-	(1,073,012)
Vehicles	(1,106,713)	236	(1,106,477)
Net governmental capital assets	<u>\$ 7,248,533</u>	<u>\$ 236</u>	<u>\$ 7,248,769</u>

	Balance 06/30/07	Corrections	Restated Balance 06/30/07
Business-Type Capital Assets:			
Land	\$ 3,218,161	\$ (1,505,755)	\$ 1,712,406
Construction in progress	1,091,324	267,372	1,358,696
Buildings and improvements	1,989,474	(248,672)	1,740,802
Utility system	4,544,723	1,645,009	6,189,732
Equipment	3,088,359	18,155	3,106,514
Vehicles	1,720,329	(176,109)	1,544,220
Accumulated depreciation:			
Construction in progress	(162,323)	162,323	-
Buildings and improvements	(1,094,488)	-	(1,094,488)
Utility system	(3,598,352)	(162,323)	(3,760,675)
Equipment	(2,630,656)	6,515	(2,624,141)
Vehicles	(1,330,552)	-	(1,330,552)
Net business-type capital assets	<u>\$ 6,835,999</u>	<u>\$ 6,515</u>	<u>\$ 6,842,514</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. CAPITAL ASSETS (continued)

Capital assets for the fiscal year ended June 30, 2008, are as follows:

	Restated Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,473,897	\$ 244,783	\$ -	\$ 4,718,680
Construction in progress	921,898	348,484	(921,898)	348,484
Total capital assets, not being depreciated	5,395,795	593,267	(921,898)	5,067,164
Other capital assets, being depreciated:				
Buildings and improvements	7,164,998	79,142	-	7,244,140
Infrastructure	-	921,898	-	921,898
Equipment	1,533,104	428,598	-	1,961,702
Vehicles	1,273,670	52,187	-	1,325,857
Total other capital assets, being depreciated	9,971,772	1,481,825	-	11,453,597
Less accumulated depreciation:				
Buildings and improvements	(5,939,309)	(56,201)	-	(5,995,510)
Infrastructure	-	(23,047)	-	(23,047)
Equipment	(1,073,012)	(125,386)	-	(1,198,398)
Vehicles	(1,106,477)	(55,157)	-	(1,161,634)
Total accumulated depreciation	(8,118,798)	(259,791)	-	(8,378,589)
Other capital assets, net	1,852,974	1,222,034	-	3,075,008
Total capital assets, net	\$ 7,248,769	\$ 1,815,301	\$ (921,898)	\$ 8,142,172

Depreciation expense was charged to functions (programs) as follows:

General government	\$ 55,035
Public safety	75,409
Public works	50,283
Culture and recreation	74,426
Health and welfare	4,638
	<u>\$ 259,791</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

7. CAPITAL ASSETS (continued)

	Restated Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,712,406	\$ -	\$ -	\$ 1,712,406
Construction in progress	1,358,696	-	(1,358,696)	-
Total capital assets, not being depreciated	3,071,102	-	(1,358,696)	1,712,406
Other capital assets, being depreciated:				
Buildings and improvements	1,740,802	-	-	1,740,802
Utility system	6,189,732	72,676	-	6,262,408
Golf course infrastructure	-	10,205	-	10,205
Airport infrastructure	-	2,393,183	-	2,393,183
Equipment	3,106,514	262,050	-	3,368,564
Vehicles	1,544,220	37,867	-	1,582,087
Total other capital assets, being depreciated	12,581,268	2,775,981	-	15,357,249
Less accumulated depreciation:				
Buildings and improvements	(1,094,488)	(25,642)	-	(1,120,130)
Utility system	(3,760,675)	(81,555)	-	(3,842,230)
Golf course infrastructure	-	-	-	-
Airport infrastructure	-	(49,858)	-	(49,858)
Equipment	(2,624,141)	(147,967)	-	(2,772,108)
Vehicles	(1,330,552)	(67,956)	-	(1,398,508)
Total accumulated depreciation	(8,809,856)	(372,978)	-	(9,182,834)
Other capital assets, net	3,771,412	2,403,003	-	6,174,415
Total capital assets, net	<u>\$ 6,842,514</u>	<u>\$ 2,403,003</u>	<u>\$ (1,358,696)</u>	<u>\$ 7,886,821</u>

8. LONG-TERM OBLIGATIONS

Governmental Activities

Changes in governmental activities obligations during the year ended June 30, 2008, were as follows:

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8. LONG-TERM OBLIGATIONS (continued)

Governmental Activities (continued)

	Balance 06/30/07	Restatements	Additions	Deletions	Balance 06/30/08	Due Within One Year
Governmental Activities:						
Notes payable	\$ 1,265,753	\$ 558,307	\$ -	\$ (98,697)	\$ 1,725,363	\$ 98,524
Bonds payable	1,115,000	-	-	(95,000)	1,020,000	105,000
Lease purchases payable	76,188	-	230,355	(52,618)	253,925	75,032
Compensated absences	181,057	(70,665)	156,926	(157,336)	109,982	56,050
	<u>\$ 2,637,998</u>	<u>\$ 487,642</u>	<u>\$ 387,281</u>	<u>\$ (403,651)</u>	<u>\$ 3,109,270</u>	<u>\$ 334,606</u>

Notes Payable – Governmental Activities

On September 20, 2004, the City borrowed \$1,625,693 from the New Mexico Finance Authority. The note matures on May 1, 2024, and accrues interest at 3.787% per annum. The proceeds of the loan were used to upgrade to a low voltage feeder line for the City's municipality owned electric utility system. The payments of principal and interest are paid from pledged net revenues from the City's electric utility system.

The annual requirements to amortize the loan outstanding as of June 30, 2008, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2009	\$ 64,436	\$ 58,135	\$ 122,571
2010	66,528	56,210	122,738
2011	68,828	54,082	122,910
2012	71,331	51,756	123,087
2013	74,045	49,228	123,273
2014-2018	418,801	200,616	619,417
2019-2023	522,588	102,808	625,396
2024	107,689	5,740	113,429
	<u>\$ 1,394,246</u>	<u>\$ 578,575</u>	<u>\$ 1,972,821</u>

On April 14, 2006, the City borrowed \$265,152 from the New Mexico Finance Authority. The note matures on May 1, 2026, and accrues interest at 1.2700% per annum. The proceeds of the loan were used for acquiring a building for use by the City's police department. The payments of principal and interest are paid from pledged gross receipts tax revenues.

The annual requirements to amortize the loan outstanding as of June 30, 2008, including interest payments, are as follows:

Due in year ending June 30:

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8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Governmental Activities (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 12,264	\$ 2,287	\$ 14,551
2010	12,371	2,211	14,582
2011	12,483	2,130	14,613
2012	12,601	2,044	14,645
2013	12,725	1,952	14,677
2014-2018	65,683	8,189	73,872
2019-2023	69,721	5,000	74,721
2024-2026	44,165	1,100	45,265
	<u>\$ 242,013</u>	<u>\$ 24,913</u>	<u>\$ 266,926</u>

On December 1, 2006, the City borrowed \$110,000 from the New Mexico Finance Authority. The note matures on May 1, 2012, and accrues interest at 1.396% per annum. The proceeds of the loan were used for the acquisition of fire equipment. The payments of principal and interest are paid from a portion of the City's annual state allotment.

The annual requirement to amortize the loan outstanding as of June 30, 2008, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 21,824	\$ 1,019	\$ 22,843
2010	22,118	781	22,899
2011	22,423	532	22,955
2012	22,739	273	23,012
	<u>\$ 89,104</u>	<u>\$ 2,605</u>	<u>\$ 91,709</u>

Bonds Payable – Governmental Activities

On June 24, 1996, the City issued bonds in the amount of \$1,895,000 for the purposes of defraying the cost of public building projects; and the cost of refunding, paying, discharging, and liquidating a portion of the 1987 sales tax revenue bonds. The bond bears interest at rates between 4.02% and 6.30% per annum and matures on October 1, 2017. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from pledged gross receipts tax revenues.

The annual requirements to amortize the bonds outstanding as of June 30, 2008, including interest payments, are as follows:

Due in year ending June 30:

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8. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – Governmental Activities (continued)

	Principal	Interest	Total
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	130,000	35,280	165,280
2014-2017	430,000	49,770	479,770
	\$ 1,020,000	\$ 300,510	\$ 1,320,510

Lease Purchases Payable – Governmental Activities

The lease purchases payable are composed of the following:

5.12% lease purchase payable for purchase of a street sweeper, due in quarterly payment of \$7,469, including interest, through January 2010, payable to Elgin Sweeper Company.	\$ 49,708
4.715% lease purchase payable for purchase of a front end loader tractor, due in monthly payments of \$1,366, including interest, through December 2012, payable to Key Equipment Finance.	66,459
0% lease purchase payable for purchase of a tractor with loader, due in monthly payments of \$1,379, through September 2011, payable to John Deere Credit.	55,254
5.75% lease purchase payable for purchase of a tractor with loader, due in monthly payments of \$628, through October 2011, payable to John Deere Credit.	22,281
6.003% lease purchase payable for purchase of twenty golf carts, due in monthly payments of \$1,115, including interest, through March 2012, and a final payment of \$19,000, payable to Government Capital Corporation.	60,223
	253,925
Less current portion	(75,032)
	\$ 178,893

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8. LONG-TERM OBLIGATIONS (continued)

Lease Purchases Payable – Governmental Activities (continued)

The annual requirement to amortize the lease purchase payable as of June 30, 2008, interest payments are as follows:

Due in the year ending June 30th:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 75,032	\$ 9,156	\$ 84,188
2010	70,645	6,073	76,718
2011	50,517	3,792	54,309
2012	49,643	1,922	51,565
2013	8,088	110	8,198
	<u>\$ 253,925</u>	<u>\$ 21,053</u>	<u>\$ 274,978</u>

Compensated Absences

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2008, were as follows:

	<u>Balance 06/30/07</u>	<u>Restatements</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/08</u>	<u>Amounts Due Within One Year</u>
Notes payable	\$ 1,752,175	\$ 370,347	\$ -	\$ (131,313)	\$ 1,991,209	\$ 134,785
Bonds payable	1,684,575	-	-	(28,000)	1,656,575	29,000
Lease purchase payable	-	-	262,050	(11,980)	250,070	33,675
Landfill closure	195,130	-	-	-	195,130	-
Compensated absences	135,411	(53,649)	102,316	(94,926)	89,152	36,512
	<u>\$ 3,767,291</u>	<u>\$ 316,698</u>	<u>\$ 364,366</u>	<u>\$ (266,219)</u>	<u>\$ 4,182,136</u>	<u>\$ 233,972</u>

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Business-Type Activities

On August 3, 2001, the City borrowed \$1,841,089 from the New Mexico Finance Authority. The note matures on May 1, 2021, and accrues interest at rates 2.2681% per annum. The proceeds of the loan were used for acquiring and constructing two new storage tanks for the purpose of improving the City's joint water and wastewater utility system. The payments of principal and interest are paid from net revenues from the City's utility system.

The annual requirement to amortize the loan outstanding as of June 30, 2008, including interest payments is as follows:

	Principal	Interest	Total
2009	\$ 86,954	\$ 29,960	\$ 116,914
2010	89,094	28,043	117,137
2011	91,298	26,068	117,366
2012	93,566	24,033	117,599
2013	95,902	21,938	117,840
2014-2018	517,029	75,979	593,008
2019-2021	342,996	16,100	359,096
	\$ 1,316,839	\$ 222,121	\$ 1,538,960

On April 19, 1995, the City borrowed \$407,713 from the New Mexico Environment Department. The note matures on November 21, 2017, and accrues interest at 3.00% per annum. The proceeds of the loan were used for improvements to the City's utility system. The payments of principal and interest are paid from net revenues from the City's utility system.

The annual requirement to amortize the loan outstanding as of June 30, 2008, including interest payments, is as follows:

	Principal	Interest	Total
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	28,602	5,550	34,152
2014-2018	156,411	14,355	170,766
	\$ 291,330	\$ 50,198	\$ 341,528

On July 26, 1996, the City borrowed \$504,483 from the New Mexico Environment Department. The note matures on January 28, 2022, and accrues interest at 3.00% per annum. The proceeds of the loan were used for improvements to the City's utility system. The payments of principal and interest are paid from net revenues from the City's utility system.

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8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Business-Type Activities (continued)

The annual requirement to amortize the loan outstanding as of June 30, 2008, including interest payments, is as follows:

Due in year ending June 30th:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 22,418	\$ 11,491	\$ 33,909
2010	23,091	10,819	33,910
2011	23,783	10,126	33,909
2012	24,497	9,412	33,909
2013	25,232	8,678	33,910
2014-2018	137,976	31,569	169,545
2019-2022	126,043	9,593	135,636
	<u>\$ 383,040</u>	<u>\$ 91,688</u>	<u>\$ 474,728</u>

Bonds Payable – Business-Type Activities

On June 18, 1998, the City issued utility revenue bonds through the United States Department of Agriculture, Rural Utilities Services, in the amount of \$290,075 for the purposes of the extension, enlargement, betterment, repair and other improvements to the utility system. The bond bears interest at 4.75% per annum and matures on June 1, 2038. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from the operation of the utility system.

The annual requirement to amortize the bonds outstanding as of June 30, 2008, including interest payments, is as follows:

Due in year ending June 30th:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,000	11,356	16,356
2014-2018	28,000	53,075	81,075
2019-2023	37,000	45,570	82,570
2024-2028	46,000	36,023	82,023
2029-2033	57,000	24,148	81,148
2034-2038	66,075	9,185	75,260
	<u>\$ 257,075</u>	<u>\$ 227,014</u>	<u>\$ 484,089</u>

STATE OF NEW MEXICO
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8. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – Business-Type Activities (continued)

On February 7, 1996, the City issued utility revenue bonds through the United States Department of Agriculture, Rural Utility Service, in the amount of \$977,000 for the purposes of the extension, enlargement, betterment, repair and other improvements to the utility system. The bond bears at 4.5% per annum and matures on February 7, 2036. The payment, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from the operation of the utility system.

The annual requirement to amortize the bonds outstanding as of June 30, 2008, including interest payments, is as follows:

Due in year ending June 30th:

	Principal	Interest	Total
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	18,000	34,650	52,650
2014-2018	105,000	160,200	265,200
2019-2023	131,000	134,325	265,325
2024-2028	164,000	102,015	266,015
2029-2033	204,000	61,650	265,650
2034-2036	148,000	13,635	161,635
	<u>\$ 836,000</u>	<u>\$ 652,725</u>	<u>\$ 1,488,725</u>

On August 9, 1996, the City issued utility revenue bonds through the United States Department of Agriculture, Rural Utility Service, in the amount of \$647,500 for the purposes of the extension, enlargement, betterment, repair and other improvements to the utility system. The bond bears interest at 4.5% per annum and matures on August 9, 2036. The payment, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from the operation of the utility system.

The annual requirement to amortize the bonds outstanding as of June 30, 2008, including interest payments, is as follows:

Due in year ending June 30th:

	Principal	Interest	Total
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	12,000	23,468	35,468
2014-2018	67,000	108,922	175,922
2019-2023	83,000	92,407	175,407
2024-2028	105,000	71,887	176,887
2029-2033	130,000	46,012	176,012
2034-2036	124,500	14,130	138,630
	<u>\$ 563,500</u>	<u>\$ 455,513</u>	<u>\$ 1,019,013</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
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8. LONG-TERM OBLIGATIONS (continued)

Lease Purchase Payable – Business-Type Activities

The lease purchase payable is composed of the following:

5.25% lease purchase payable for purchase of a waste handler truck, due in monthly payment of \$3,833, including interest, through February 2013, and a final payment of \$77,000, payable to John Deere Credit.	\$	250,070
Less current portion		<u>(33,675)</u>
	\$	<u>216,395</u>

The annual requirement to amortize the lease purchases payable as of June 30, 2008, interest payments is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 33,675	\$ 12,326	\$ 46,001
2010	35,487	10,515	46,002
2011	37,395	8,607	46,002
2012	39,406	6,595	46,001
2013	104,107	3,562	107,669
	<u>\$ 250,070</u>	<u>\$ 41,605</u>	<u>\$ 291,675</u>

Landfill Closure and Post-Closure Costs

State and federal laws and regulations require that upon closing, the City 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 costs is based on the estimated capacity of the landfill used to date compared to the total estimated capacity. During the fiscal year, the City opened an additional pit for trash collections. Thus, the amount of landfill available for collection and storage has increased. It is estimated that eighty-six percent of the landfill capacity has been used at June 30, 2008. The total estimated liability for landfill closure costs is \$195,130 as of June 30, 2008, which is based on the cumulative capacity to date as a percentage of projected capacity at the time of landfill closure. The landfill closure cost will not be decreased in the current year, due to the opening of an additional pit. It is estimated that an additional \$31,870 of post-closure costs will be recognized over thirty years after the landfill is closed.

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8. LONG-TERM OBLIGATIONS (continued)

Landfill Closure and Post-Closure Costs (continued)

The estimated total current cost of the landfill closure and post-closure care of \$227,000 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, 2008. However, the actual cost of post-closure care may be higher due to inflation, changes in technology or changes in state and federal landfill laws and regulations. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The City is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

9. TAXES

Local effort and state shared tax revenues as of June 30, 2008:

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>	
Local effort taxes:				
Franchise taxes	\$ 112,557	\$ -	\$ 112,557	
Gross receipts taxes	1,383,156	493	1,383,649	
Lodgers' taxes	-	181,499	181,499	
Property taxes	119,239	-	119,239	
	<u>\$ 1,614,952</u>	<u>\$ 181,992</u>	<u>\$ 1,796,944</u>	
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
State shared taxes:				
Cigarette taxes	\$ 16,269	\$ -	\$ 8,165	\$ 24,434
Gasoline taxes	27,313	-	100,293	127,606
Gross receipts taxes	1,515,379	305,169	-	1,820,548
	<u>\$ 1,558,961</u>	<u>\$ 305,169</u>	<u>\$ 108,458</u>	<u>\$ 1,972,588</u>

**STATE OF NEW MEXICO
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10. INTERFUND BALANCES AND TRANSFERS

Interfund Transfers

	Transfer In				Total
	General Fund	FAA Project Fund	Airport Fund	Non-Major Funds	
Transfers (out):					
General fund	\$ -	\$ 45,218	\$ 85,000	\$ 255,895	\$ 386,113
FAA Project fund	-	-	1,034,487	-	1,034,487
Debt Service fund	11	-	-	-	11
Joint Utility fund	1,835,001	-	-	118,904	1,953,905
Non-Major funds	27,439	-	-	65,018	92,457
	<u>\$ 1,862,451</u>	<u>\$ 45,218</u>	<u>\$ 1,119,487</u>	<u>\$ 439,817</u>	<u>\$ 3,466,973</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend. Additionally, transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2008, the City determined that changes to the beginning of year net assets were necessary. A description and the effect of the changes are as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements:			
Restated governmental activities capital assets balances due to errors in subsidiary ledgers.	\$ 236		
Restated governmental activities compensated absences balances due to errors in subsidiary ledgers.		70,665	
Restated governmental activities notes payable balances due to errors in subsidiary ledgers.	(558,307)		
General Fund:			
Restated governmental activities cash balances due to errors in subsidiary ledgers.	18,058		\$ 18,058
Restated governmental activities accounts payable balances due to errors in subsidiary ledgers.	10,483		10,483
Restated governmental activities accrued liability balances due to errors in subsidiary ledgers.	1,803		1,803
Restated governmental activities due to other funds balances due to errors in subsidiary ledgers.	(3,405)		(3,405)

**STATE OF NEW MEXICO
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JUNE 30, 2008**

11. RESTATEMENT OF NET ASSETS (continued)

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Restated governmental activities donation revenues balances due to errors in subsidiary ledgers.	3,650		3,650
FAA Project Fund:			
Restated governmental activities accounts payable balances due to errors in subsidiary ledgers.	8,008		8,008
Fire Protection Fund:			
Restated governmental activities cash balances due to errors in subsidiary ledgers.	430		430
Electrical Construction Fund:			
Restated governmental activities cash balances due to errors in subsidiary ledgers.	593,346		593,346
Restated governmental activities due to other funds balances due to errors in subsidiary ledgers.	(873,054)		(873,054)
Joint Utility Fund:			
Restated business activities cash balances due to errors in subsidiary ledgers.		\$ 24,757	\$ 24,757
Restated business activities capital assets balances due to errors in subsidiary ledgers.		5,787	5,787
Restated business activities notes payable balances due to errors in subsidiary ledgers.		(398,347)	(398,347)
Restated business activities bonds payable balances due to errors in subsidiary ledgers.		28,000	28,000
Restated business activities due to other funds balances due to errors in subsidiary ledgers.		876,459	876,459
Golf Course Fund:			
Restated business activities capital assets balances due to errors in subsidiary ledgers.		727	727
	<u>\$ (728,087)</u>	<u>\$ 537,383</u>	<u>\$ 296,702</u>

12. BUDGET RECONCILIATION

The City prepares its budget utilizing the cash basis of accounting. The City presents the following information that reconciles the general fund budgetary comparison statement with the statement of revenues, expenditures, and changes in fund balances. The reconciliation of the remaining funds follows the budgetary comparison statements of each type of fund.

**STATE OF NEW MEXICO
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12. BUDGET RECONCILIATION (continued)

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule.	\$ 3,143,561
Differences - Budget to GAAP:	
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	368,665
Real estate taxes deferred for the budgetary basis are recognized when the taxes are levied for financial reporting purposes. The real estate taxes are not recognized for budgetary purposes until received.	11,812
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 3,524,038
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 4,369,055
Differences - Budget to GAAP:	
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	63,180
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	24,816
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 4,457,051
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison schedule.	\$ 1,476,338
Differences - Budget to GAAP:	
None.	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 1,476,338

13. RETIREMENT PLAN

Plan Description

Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing, multiple-employer defined benefit plan.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
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JUNE 30, 2008

13. RETIREMENT PLAN (continued)

Plan Description (continued)

The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

For covered employees other than law enforcement personnel, participants were required to contribute 13.15% of their gross salary to the plan. The City contributes a required contribution of 9.15% of each participant's gross salary. The employee's contribution rate is 7% of gross salaries for law enforcement participants. The City's portion of the law enforcement participation is 15% of gross salaries.

The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2008, 2007, and 2006 were \$293,100, \$282,100 and \$279,204, respectively, equal to the amount of the required contributions for each year.

14. POST-EMPLOYMENT BENEFITS – NEW MEXICO HEALTHCARE PLAN

Plan Description

The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

14. POST-EMPLOYMENT BENEFITS (continued)

Plan Description (continued)

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The City's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$37,951, \$35,556 and \$35,690, respectively, which equal the required contributions for each year.

Pursuant to GASB 43, a current legal determination has been made whereby the Retiree Healthcare Authority is considered a multiple employer cost sharing trust. Under this determination, the extensive OPEB disclosure concerning the funded status of the plan is made on the Authority's books rather than at the participant or agency level. Accordingly, no accrual has been made for this liability on the City's books.

15. RISK MANAGEMENT

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

15. RISK MANAGEMENT (continued)

The City has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operates as a common risk management and insurance program for local governments. The City pays an annual premium to New Mexico Self-Insured Fund for its general insurance coverage, and all risk of loss is transferred.

16. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

Special Revenue Funds

	Fire Protection Fund	Recreation Fund	Correction Fees Fund	Law Enforcement Protection Fund	Lodger's Tax Fund	Municipal Streets Fund	Veteran's Wall Fund	DWI Grant Fund	State Library Fund	Veteran's Wall Perpetual Care Fund
ASSETS										
Cash	\$ 55,279	\$ 31,949	\$ 12,086	\$ 1,982	\$ 120,633	\$ 52,294	\$ 4,142	\$ 106,485	\$ 16,301	\$ 9,684
Taxes receivable	-	600	-	-	13,128	8,051	-	-	-	-
Intergovernmental receivable	-	-	-	-	3,900	-	-	12,558	4,903	-
Restricted:										
Investments	826	-	-	-	-	-	-	-	-	-
Total assets	\$ 56,105	\$ 32,549	\$ 12,086	\$ 1,982	\$ 137,661	\$ 60,345	\$ 4,142	\$ 119,043	\$ 21,204	\$ 9,684
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 1,305	\$ 267	\$ -	\$ -	\$ -	\$ 494	\$ -	\$ 282	\$ -	\$ -
Fund Balances:										
Reserved:										
Subsequent year's expenditures	54,800	13,089	-	-	23,340	-	520	-	-	-
Unreserved	-	19,193	12,086	1,982	114,321	59,851	3,622	118,761	21,204	9,684
Total fund balances	54,800	32,282	12,086	1,982	137,661	59,851	4,142	118,761	21,204	9,684
Total liabilities and fund balances	\$ 56,105	\$ 32,549	\$ 12,086	\$ 1,982	\$ 137,661	\$ 60,345	\$ 4,142	\$ 119,043	\$ 21,204	\$ 9,684

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds			Capital Project Funds					
	CDBG Fund	Law Enforcement Block Grant Fund	Total Special Revenue Funds	Electrical Construction Fund	Effluent Water Fund	Senior Transportation Fund	Capital Expenditures Fund	Morgan Street Flood Control Fund	R & R Emergency Fund
<u>ASSETS</u>									
Cash	\$ 1,301	\$ 44,066	\$ 456,202	\$ 10,125	\$ 254,124	\$ 5,823	\$ 5,816	\$ 31,378	\$ 59,007
Taxes receivable	-	-	21,779	-	-	-	-	-	-
Intergovernmental receivable	-	-	21,361	-	-	9,058	-	12,269	-
Restricted:									
Investments	-	-	826	530,657	-	-	-	-	-
Total assets	<u>\$ 1,301</u>	<u>\$ 44,066</u>	<u>\$ 500,168</u>	<u>\$ 540,782</u>	<u>\$ 254,124</u>	<u>\$ 14,881</u>	<u>\$ 5,816</u>	<u>\$ 43,647</u>	<u>\$ 59,007</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 2,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:									
Reserved:									
Subsequent year's expenditures	-	-	91,749	-	246,450	-	-	2,119	-
Unreserved	1,301	44,066	406,071	540,782	7,674	14,881	5,816	41,528	59,007
Total fund balances	<u>1,301</u>	<u>44,066</u>	<u>497,820</u>	<u>540,782</u>	<u>254,124</u>	<u>14,881</u>	<u>5,816</u>	<u>43,647</u>	<u>59,007</u>
Total liabilities and fund balances	<u>\$ 1,301</u>	<u>\$ 44,066</u>	<u>\$ 500,168</u>	<u>\$ 540,782</u>	<u>\$ 254,124</u>	<u>\$ 14,881</u>	<u>\$ 5,816</u>	<u>\$ 43,647</u>	<u>\$ 59,007</u>

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Total Capital Project Funds</u>		<u>Total Non-Major Funds</u>
<u>ASSETS</u>			
Cash	\$ 366,273		\$ 822,475
Taxes receivable	-		21,779
Intergovernmental receivable	21,327		42,688
Restricted:			
Investments	<u>530,657</u>		<u>531,483</u>
Total assets	<u>\$ 918,257</u>		<u>\$ 1,418,425</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ -		\$ 2,348
Fund Balances:			
Reserved:			
Subsequent year's expenditures	248,569		340,318
Unreserved	<u>669,689</u>		<u>1,075,760</u>
Total fund balances	<u>918,258</u>		<u>1,416,078</u>
Total liabilities and fund balances	<u>\$ 918,258</u>		<u>\$ 1,418,426</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds									
	Fire Protection Fund	Recreation Fund	Correction Fees Fund	Law Enforcement Protection Fund	Lodger's Tax Fund	Municipal Streets Fund	Veteran's Wall Fund	DWI Grant Fund	State Library Fund	Veteran's Wall Perpetual Care Fund
Revenues:										
Local effort taxes	\$ -	\$ 493	\$ -	\$ -	\$ 181,499	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	8,165	-	-	-	100,293	-	-	-	-
Intergovernmental	94,140	-	-	27,200	24,439	65,000	2,005	165,570	22,257	-
Charges for services	-	9,941	6,891	-	-	-	-	13,041	-	2,325
Interest	1,136	107	-	-	400	6,142	-	-	-	-
Miscellaneous	-	67	-	-	2,513	-	-	-	2,535	-
Total revenues	95,276	18,773	6,891	27,200	208,851	171,435	2,005	178,611	24,792	2,325
Expenditures:										
Current:										
General government	-	-	-	-	148,572	-	-	-	-	-
Public safety	76,922	-	6,433	1,330	-	-	-	170,717	-	-
Public works	-	-	-	-	-	296,596	-	-	-	-
Culture and recreation	-	14,402	-	-	-	-	1,990	-	30,285	75
Capital outlay	5,000	-	-	25,929	162,865	220,484	1,107	-	-	-
Debt service:										
Principal	20,896	-	-	-	19,574	33,044	-	-	-	-
Interest	1,755	-	-	-	2,170	5,032	-	-	-	-
Total expenditures	104,573	14,402	6,433	27,259	333,181	555,156	3,097	170,717	30,285	75
Excess (deficiency) of revenues over expenditures	(9,297)	4,371	458	(59)	(124,330)	(383,721)	(1,092)	7,894	(5,493)	2,250
Other Financing Sources (Uses):										
Loan proceeds	-	-	-	-	157,332	73,023	-	-	-	-
Transfers in	-	-	-	5,000	10,223	125,000	1,900	-	-	-
Transfers (out)	-	-	-	(5,000)	-	(54,795)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	167,555	143,228	1,900	-	-	-
Net change in fund balances	(9,297)	4,371	458	(59)	43,225	(240,493)	808	7,894	(5,493)	2,250
Fund balances, beginning of year	63,667	27,911	11,628	2,041	94,436	300,344	3,334	110,867	26,697	7,434
Restatements	430	-	-	-	-	-	-	-	-	-
Fund balance, beginning of year restated	64,097	27,911	11,628	2,041	94,436	300,344	3,334	110,867	26,697	7,434
Fund balances, end of year	\$ 54,800	\$ 32,282	\$ 12,086	\$ 1,982	\$ 137,661	\$ 59,851	\$ 4,142	\$ 118,761	\$ 21,204	\$ 9,684

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Capital Project Funds								
	CDBG Total	Law Enforcement Block Grant Fund	Total Special Revenue Funds	Electrical Construction Fund	Effluent Water Fund	Senior Transportation Fund	Capital Expenditures Fund	Morgan Street Flood Control Fund	R & R Emergency Fund
Revenues:									
Local effort taxes	\$ -	\$ -	\$ 181,992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	108,458	-	-	-	-	-	-
Intergovernmental	-	43,735	444,346	9,689	580,563	42,214	-	220,500	-
Charges for services	-	-	32,198	-	-	-	-	-	-
Interest	-	17	7,802	63,378	-	-	40	-	-
Miscellaneous	-	-	5,115	-	-	-	-	-	-
Total revenues	-	43,752	779,911	73,067	580,563	42,214	40	220,500	-
Expenditures:									
Current:									
General government	-	-	148,572	-	-	-	-	-	-
Public safety	-	-	255,402	-	-	-	-	-	-
Public works	-	-	296,596	139,375	-	-	17,351	-	-
Culture and recreation	-	-	46,752	-	-	2,623	-	-	-
Capital outlay	-	-	415,385	-	334,113	39,591	25,000	239,743	-
Debt service:									
Principal	-	-	73,514	65,639	-	-	-	-	-
Interest	-	-	8,957	49,612	-	-	-	-	-
Total expenditures	-	-	1,245,178	254,626	334,113	42,214	42,351	239,743	-
Excess (deficiency) of revenues over expenditures	-	43,752	(465,267)	(181,559)	246,450	-	(42,311)	(19,243)	-
Other Financing Sources (Uses):									
Loan proceeds	-	-	230,355	-	-	-	-	-	-
Transfers in	1	-	142,124	118,903	1	1	42,992	54,795	1
Transfers (out)	-	-	(59,795)	-	-	(22,439)	-	-	-
Total other financing sources (uses)	1	-	312,684	118,903	1	(22,438)	42,992	54,795	1
Net change in fund balances	1	43,752	(152,583)	(62,656)	246,451	(22,438)	681	35,552	1
Fund balances, beginning of year	1,300	314	649,973	883,146	7,673	37,319	5,135	8,095	59,006
Restatements	-	-	430	(279,708)	-	-	-	-	-
Fund balance, beginning of year restated	1,300	314	650,403	603,438	7,673	37,319	5,135	8,095	59,006
Fund balances, end of year	\$ 1,301	\$ 44,066	\$ 497,820	\$ 540,782	\$ 254,124	\$ 14,881	\$ 5,816	\$ 43,647	\$ 59,007

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Total Capital Projects Fund	Total Non-Major Funds
Revenues:		
Local effort taxes	\$ -	\$ 181,992
State shared taxes	-	108,458
Intergovernmental	852,966	1,297,312
Charges for services	-	32,198
Interest	63,418	71,220
Miscellaneous	-	5,115
	<u>916,384</u>	<u>1,696,295</u>
Total revenues	916,384	1,696,295
Expenditures:		
Current:		
General government	-	148,572
Public safety	-	255,402
Public works	156,726	453,322
Culture and recreation	2,623	49,375
Capital outlay	638,447	1,053,832
Debt service:		
Principal	65,639	139,153
Interest	49,612	58,569
	<u>913,047</u>	<u>2,158,225</u>
Total expenditures	913,047	2,158,225
Excess (deficiency) of revenues over expenditures	3,337	(461,930)
Other Financing Sources (Uses):		
Loan proceeds	-	230,355
Transfers in	216,693	358,817
Transfers (out)	(22,439)	(82,234)
	<u>194,254</u>	<u>506,938</u>
Total other financing sources (uses)	194,254	506,938
Net change in fund balances	197,591	45,008
Fund balances, beginning of year	1,000,374	1,650,347
Restatements	<u>(279,708)</u>	<u>(279,278)</u>
Fund balance, beginning of year restated	<u>720,666</u>	<u>1,371,069</u>
Fund balances, end of year	<u>\$ 918,257</u>	<u>\$ 1,416,077</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
FIRE PROTECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 87,980	\$ 94,140	\$ 94,140	\$ -
Interest income	400	400	1,136	736
Total revenues	88,380	94,540	95,276	736
Expenditures:				
Current:				
Public safety	53,251	67,817	38,748	29,069
Capital outlay	76,145	67,739	41,869	25,870
Debt service:				
Principal	20,896	20,896	20,896	-
Interest	1,756	1,756	1,756	-
Total expenditures	152,048	158,208	103,269	54,939
Net change in cash balance	(63,668)	(63,668)	(7,993)	55,675
Cash balance, beginning of year	63,667	63,667	63,667	-
Cash advanced from general fund	1	1	-	(1)
Cash converted to investments	-	-	(395)	(395)
Cash balance, end of year	\$ -	\$ -	\$ 55,279	\$ 55,279

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECREATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 425	\$ 494	\$ 493	\$ (1)
State shared taxes	4,311	7,564	7,565	1
Charges for service	8,500	10,061	9,941	(120)
Miscellaneous	30	17	67	50
Interest income	100	107	107	-
Total revenues	13,366	18,243	18,173	(70)
Expenditures:				
Current:				
Culture and recreation	12,475	12,475	6,495	5,980
Capital outlay	9,891	9,891	7,640	2,251
Total expenditures	22,366	22,366	14,135	8,231
Net change in cash balance	(9,000)	(4,123)	4,038	8,161
Cash balance, beginning of year	27,911	27,911	27,911	-
Cash balance, end of year	<u>\$ 18,911</u>	<u>\$ 23,788</u>	<u>\$ 31,949</u>	<u>\$ 8,161</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
CORRECTIONS FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Charges for services	\$ 7,500	\$ 7,500	\$ 6,892	\$ (608)
Expenditures:				
Current:				
Public safety	<u>7,500</u>	<u>7,500</u>	<u>6,434</u>	<u>1,066</u>
Net change in cash balance	-	-	458	458
Cash balance, beginning of year	<u>11,628</u>	<u>11,628</u>	<u>11,628</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 11,628</u></u>	<u><u>\$ 11,628</u></u>	<u><u>\$ 12,086</u></u>	<u><u>\$ 458</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 27,200	\$ 27,200	\$ 27,200	\$ -
Expenditures:				
Capital outlay	<u>31,600</u>	<u>27,260</u>	<u>27,259</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	(4,400)	(60)	(59)	1
Other Financing Sources (Uses):				
Transfers in	5,000	5,000	5,000	-
Transfers (out)	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balance	600	(60)	(59)	1
Cash balance, beginning of year	<u>2,041</u>	<u>2,041</u>	<u>2,041</u>	<u>-</u>
Cash balance, end of year	<u>\$ 2,641</u>	<u>\$ 1,981</u>	<u>\$ 1,982</u>	<u>\$ 1</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
LODGER'S TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 132,259	\$ 168,370	\$ 168,371	\$ 1
Intergovernmental	30,539	20,539	20,539	-
Miscellaneous	350	2,514	2,513	(1)
Interest	350	400	400	-
Total revenues	163,498	191,823	191,823	-
Expenditures:				
Current:				
General government	162,726	142,017	117,508	24,509
Capital outlay	68,024	82,202	48,118	34,084
Total expenditures	230,750	224,219	165,626	58,593
Net change in cash balance	(67,252)	(32,396)	26,197	58,593
Cash balance, beginning of year	94,436	94,436	94,436	-
Cash balance, end of year	\$ 27,184	\$ 62,040	\$ 120,633	\$ 58,593

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
MUNICIPAL STREETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 110,000	\$ 110,000	\$ 92,242	\$ (17,758)
Intergovernmental	65,000	65,000	65,000	-
Interest income	144	400	6,142	5,742
Total revenues	175,144	175,400	163,384	(12,016)
Expenditures:				
Current:				
Public works	121,928	129,390	121,155	8,235
Capital outlay	160,000	381,194	322,409	58,785
Debt service:				
Principal	26,480	33,044	33,043	1
Interest	3,398	5,033	5,032	1
Total expenditures	311,806	548,661	481,639	67,022
Excess (deficiency) of revenues over expenditures	(136,662)	(373,261)	(318,255)	55,006
Other Financing Sources (Uses):				
Transfers in	137,924	137,924	125,000	(12,924)
Transfers (out)	-	(54,795)	(54,795)	-
Total other financing sources (uses)	137,924	83,129	70,205	(12,924)
Net change in cash balance	1,262	(290,132)	(248,050)	42,082
Cash balance, beginning of year	300,344	300,344	300,344	-
Cash balance, end of year	\$ 301,606	\$ 10,212	\$ 52,294	\$ 42,082

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
VETERAN'S WALL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 574,357	\$ 570,936	\$ 2,005	\$ (568,931)
Expenditures:				
Current:				
Culture and recreation	2,418	2,418	1,990	428
Capital outlay	<u>574,357</u>	<u>570,039</u>	<u>1,107</u>	<u>568,932</u>
Total expenditures	<u>576,775</u>	<u>572,457</u>	<u>3,097</u>	<u>569,360</u>
Excess (deficiency) of revenue over expenditures	(2,418)	(1,521)	(1,092)	429
Other financing sources (uses):				
Transfers in	<u>1,900</u>	<u>1,900</u>	<u>1,900</u>	<u>-</u>
Net change in cash balance	(518)	379	808	429
Cash balance, beginning of year	<u>3,334</u>	<u>3,334</u>	<u>3,334</u>	<u>-</u>
Cash balance, end of year	<u>\$ 2,816</u>	<u>\$ 3,713</u>	<u>\$ 4,142</u>	<u>\$ 429</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
DWI GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 181,580	\$ 181,580	\$ 175,168	\$ (6,412)
Charges for services	<u>23,187</u>	<u>27,687</u>	<u>13,041</u>	<u>(14,646)</u>
Total revenues	204,767	209,267	188,209	(21,058)
Expenditures:				
Current:				
Public safety	183,233	192,199	147,804	44,395
Capital outlay	<u>21,534</u>	<u>22,647</u>	<u>22,631</u>	<u>16</u>
Total expenditures	<u>204,767</u>	<u>214,846</u>	<u>170,435</u>	<u>44,411</u>
Net change in cash balance	-	(5,579)	17,774	23,353
Cash balance, beginning of year	<u>88,711</u>	<u>88,711</u>	<u>88,711</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 88,711</u></u>	<u><u>\$ 83,132</u></u>	<u><u>\$ 106,485</u></u>	<u><u>\$ 23,353</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATE LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 33,400	\$ 34,412	\$ 17,354	\$ (17,058)
Charges for services	6,641	6,641	-	(6,641)
Miscellaneous	2,500	2,535	2,535	-
Total revenues	42,541	43,588	19,889	(23,699)
Expenditures:				
Current:				
Culture and recreation	38,500	39,512	30,285	9,227
Net change in cash balance	4,041	4,076	(10,396)	(14,472)
Cash balance, beginning of year	26,697	26,697	26,697	-
Cash balance, end of year	<u>\$ 30,738</u>	<u>\$ 30,773</u>	<u>\$ 16,301</u>	<u>\$ (14,472)</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 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 2,325	\$ 2,325	\$ 2,325	\$ -
Expenditures:				
Current:				
Culture and recreation	<u>2,325</u>	<u>2,325</u>	<u>75</u>	<u>2,250</u>
Net change in cash balance	-	-	2,250	2,250
Cash balance, beginning of year	<u>7,434</u>	<u>7,434</u>	<u>7,434</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 7,434</u></u>	<u><u>\$ 7,434</u></u>	<u><u>\$ 9,684</u></u>	<u><u>\$ 2,250</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
CDBG SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
General government	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers in	-	1	1	-
Net change in cash balance	-	1	1	-
Cash balance, beginning of year	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>-</u>
Cash balance, end of year	<u>\$ 1,300</u>	<u>\$ 1,301</u>	<u>\$ 1,301</u>	<u>\$ -</u>

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
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ 43,735	\$ 43,735	\$ -
Interest income	-	17	17	-
Total revenues	-	43,752	43,752	-
Expenditures:				
Capital outlay	-	43,735	-	43,735
Net change in cash balance	-	17	43,752	43,735
Cash balance, beginning of year	<u>314</u>	<u>314</u>	<u>314</u>	<u>-</u>
Cash balance, end of year	<u>\$ 314</u>	<u>\$ 331</u>	<u>\$ 44,066</u>	<u>\$ 43,735</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Fire Protection Fund	Recreation Fund	Correction Fees Fund	Law Enforcement Protection Fund
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 95,276	\$ 18,173	\$ 6,892	\$ 27,200
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	-	600	(1)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 95,276</u>	<u>\$ 18,773</u>	<u>\$ 6,891</u>	<u>\$ 27,200</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 103,269	\$ 14,135	\$ 6,434	\$ 27,259
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	1,304	267	(1)	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	-	-	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 104,573</u>	<u>\$ 14,402</u>	<u>\$ 6,433</u>	<u>\$ 27,259</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ -	\$ -
Differences - Budget to GAAP:				
None	-	-	-	-
Total other financing sources (uses) as reported of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Lodger's Tax Fund	Municipal Streets Fund	Veteran's Wall Fund	DWI Grant Fund
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 191,823	\$ 163,384	\$ 2,005	\$ 188,209
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	17,028	8,051	-	(9,598)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 208,851</u>	<u>\$ 171,435</u>	<u>\$ 2,005</u>	<u>\$ 178,611</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 165,626	\$ 481,639	\$ 3,097	\$ 170,435
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	494	-	282
The City budgets for capital outlay paid for during the current accounting period. Accrual of capital outlay purchased with a lease agreement are not included in the budgetary basis but are expenditures for financial reporting purposes.	167,555	73,023	-	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 333,181</u>	<u>\$ 555,156</u>	<u>\$ 3,097</u>	<u>\$ 170,717</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ 70,205	\$ 1,900	\$ -
Differences - Budget to GAAP:				
For financial reporting purposes, the City considers the debt payments related to the purchase of a capital assets by the golf course fund for the lodger's tax fund as a transfer in. For budgetary purposes, the City reflects the debt payments within the golf course fund.	10,223	-	-	-
For financial reporting purposes, the City considers the purchase of capital assets with loan proceeds as other financing sources. For budgetary purposes, the City reflects the purchases as payments of debt.	157,332	73,023	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 167,555</u>	<u>\$ 143,228</u>	<u>\$ 1,900</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	State Library Fund	Veteran's Wall Perpetual Care Fund	CDBG Fund	Law Enforcement Block Grant Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 19,889	\$ 2,325	\$ -	\$ 43,752
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>4,903</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 24,792</u>	<u>\$ 2,325</u>	<u>\$ -</u>	<u>\$ 43,752</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 30,285	\$ 75	\$ -	\$ -
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	-	-	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 30,285</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ -</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ 1	\$ -
Differences - Budget to GAAP:				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported of revenues, expenditures and balances - special revenue funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ELECTRICAL CONSTRUCTION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ 10,000	\$ 9,690	\$ (310)
Interest income	100	100	63,378	63,278
Total revenues	100	10,100	73,068	62,968
Expenditures:				
Current:				
Public works	268,004	278,004	139,375	138,629
Debt service:				
Principal	65,902	65,902	65,639	263
Interest	49,378	49,378	49,612	(234)
Total expenditures	383,284	393,284	254,626	138,658
Excess (deficiency) of revenues over expenditures	(383,184)	(383,184)	(181,558)	201,626
Other Financing Sources (Uses):				
Loan proceeds	398,022	398,022	-	(398,022)
Transfers in	118,903	118,903	118,903	-
Total other financing sources (uses)	516,925	516,925	118,903	(398,022)
Net change in cash balance	133,741	133,741	(62,655)	(196,396)
Cash balance, beginning of year	10,092	10,092	10,092	-
Investments converted to cash	-	-	62,688	62,688
Cash balance, end of year	\$ 143,833	\$ 143,833	\$ 10,125	\$ (133,708)

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
EFFLUENT WATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 350,000	\$ 596,450	\$ 580,563	\$ (15,887)
Expenditures:				
Current:				
Public works	119,096	105,216	89,330	15,886
Capital outlay	<u>-</u>	<u>491,234</u>	<u>244,783</u>	<u>246,451</u>
Total expenditures	<u>119,096</u>	<u>596,450</u>	<u>334,113</u>	<u>262,337</u>
Excess (deficiency) of revenues over expenditures	230,904	-	246,450	246,450
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Net change in cash balance	230,904	1	246,451	246,450
Cash balance, beginning of year	<u>7,673</u>	<u>7,673</u>	<u>7,673</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 238,577</u></u>	<u><u>\$ 7,674</u></u>	<u><u>\$ 254,124</u></u>	<u><u>\$ 246,450</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
 SENIOR TRANSPORTATION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 46,000	\$ 47,800	\$ 33,156	\$ (14,644)
Expenditures:				
Capital outlay	<u>46,000</u>	<u>47,800</u>	<u>42,214</u>	<u>5,586</u>
Excess (deficiency) of revenues over expenditures	-	-	(9,058)	(9,058)
Other Financing Sources (Uses):				
Transfers in	1	10,482	1	(10,481)
Transfers (out)	<u>-</u>	<u>(47,481)</u>	<u>(22,439)</u>	<u>25,042</u>
Total other financing sources (uses)	<u>1</u>	<u>(36,999)</u>	<u>(22,438)</u>	<u>14,561</u>
Net change in cash balance	1	(36,999)	(31,496)	5,503
Cash balance, beginning of year	<u>37,319</u>	<u>37,319</u>	<u>37,319</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 37,320</u></u>	<u><u>\$ 320</u></u>	<u><u>\$ 5,823</u></u>	<u><u>\$ 5,503</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
CAPITAL EXPENDITURES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Interest income	\$ 50	\$ 50	\$ 39	\$ (11)
Expenditures:				
Current:				
Public works	6,300	6,300	6,290	10
Capital outlay	<u>36,742</u>	<u>36,742</u>	<u>36,060</u>	<u>682</u>
Total expenditures	<u>43,042</u>	<u>43,042</u>	<u>42,350</u>	<u>692</u>
Excess (deficiency) of revenues over expenditures	(42,992)	(42,992)	(42,311)	681
Other Financing Sources (Uses):				
Transfers in	<u>38,690</u>	<u>42,992</u>	<u>42,992</u>	<u>-</u>
Net change in cash balance	(4,302)	-	681	681
Cash balance, beginning of year	<u>5,135</u>	<u>5,135</u>	<u>5,135</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 833</u></u>	<u><u>\$ 5,135</u></u>	<u><u>\$ 5,816</u></u>	<u><u>\$ 681</u></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 CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 199,336	\$ 220,500	\$ 208,231	\$ (12,269)
Expenditures:				
Current:				
Public works	12,036	3,246	3,246	-
Capital outlay	<u>187,300</u>	<u>250,885</u>	<u>236,497</u>	<u>14,388</u>
Total expenditures	<u>199,336</u>	<u>254,131</u>	<u>239,743</u>	<u>14,388</u>
Excess (deficiency) of revenues over expenditures	-	(33,631)	(31,512)	2,119
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>54,795</u>	<u>54,795</u>	<u>-</u>
Net change in cash balance	-	21,164	23,283	2,119
Cash balance, beginning of year	<u>8,095</u>	<u>8,095</u>	<u>8,095</u>	<u>-</u>
Cash balance, end of year	<u>\$ 8,095</u>	<u>\$ 29,259</u>	<u>\$ 31,378</u>	<u>\$ 2,119</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
R & R EMERGENCY CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public works	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers in	-	1	1	-
Net change in cash balance	-	1	1	-
Cash balance, beginning of year	59,006	59,006	59,006	-
Cash balance, end of year	<u>\$ 59,006</u>	<u>\$ 59,007</u>	<u>\$ 59,007</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
FAA PROJECT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 871,581	\$ 1,098,089	\$ 964,168	\$ (133,921)
Expenditures:				
Current:				
Public works	190,742	142,258	27,042	115,216
Capital outlay	<u>729,980</u>	<u>1,007,457</u>	<u>1,007,445</u>	<u>12</u>
Total expenditures	<u>920,722</u>	<u>1,149,715</u>	<u>1,034,487</u>	<u>115,228</u>
Excess (deficiency) of revenues over expenditures	(49,141)	(51,626)	(70,319)	(18,693)
Other Financing Sources (Uses):				
Transfers in	<u>45,218</u>	<u>45,218</u>	<u>45,218</u>	<u>-</u>
Net change in cash balance	(3,923)	(6,408)	(25,101)	(18,693)
Cash balance, beginning of year	<u>29,599</u>	<u>29,599</u>	<u>29,599</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 25,676</u></u>	<u><u>\$ 23,191</u></u>	<u><u>\$ 4,498</u></u>	<u><u>\$ (18,693)</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Electrical Construction Fund</u>	<u>Effluent Water Fund</u>	<u>Senior Transportation Fund</u>	<u>Capital Expenditures Fund</u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 73,068	\$ 580,563	\$ 33,156	\$ 39
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>(1)</u>	<u>-</u>	<u>9,058</u>	<u>1</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds	<u>\$ 73,067</u>	<u>\$ 580,563</u>	<u>\$ 42,214</u>	<u>\$ 40</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 254,626	\$ 334,113	\$ 42,214	\$ 42,350
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds	<u>\$ 254,626</u>	<u>\$ 334,113</u>	<u>\$ 42,214</u>	<u>\$ 42,351</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 118,903	\$ 1	\$ (22,438)	\$ 42,992
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 118,903</u>	<u>\$ 1</u>	<u>\$ (22,438)</u>	<u>\$ 42,992</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Morgan Street Flood Control Fund	R & R Emergency Fund	FAA Project Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 208,231	\$ -	\$ 964,168
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>12,269</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds	<u><u>\$ 220,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 964,168</u></u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 239,743	\$ -	\$ 1,034,487
Differences - Budget to GAAP:			
For budgetary purposes, the City budgets for capital improvements to the airport within the capital project funds. For financial reporting purposes, the City reflects the expense as a transfer of funds from the capital project funds to the airport fund.	<u>-</u>	<u>-</u>	<u>(1,034,487)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds	<u><u>\$ 239,743</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 54,795	\$ 1	\$ 45,218
Differences - Budget to GAAP:			
The City budgets for capital improvements to the airport within the capital projects funds. The City chose to transfer the amount capitalized within the airport fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>(1,034,487)</u>
Total other financing sources (uses) as reported of revenues, expenditures and changes in fund balances - capital project funds.	<u><u>\$ 54,795</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ (989,269)</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 220,000	\$ 264,633	\$ 264,632	\$ (1)
Interest income	370	583	31,516	30,933
Total revenues	220,370	265,216	296,148	30,932
Expenditures:				
Current:				
General government	831	831	836	(5)
Debt service:				
Principal	107,179	107,179	107,162	17
Interest	72,604	72,604	72,604	-
Total expenditures	180,614	180,614	180,602	12
Excess (deficiency) of revenues over expenditures	39,756	84,602	115,546	30,944
Other Financing Sources (Uses):				
Transfers (out)	-	-	(11)	(11)
Net change in cash balance	39,756	84,602	115,535	30,933
Cash balance, beginning of year	735,480	735,480	735,480	-
Cash balance, end of year	<u>\$ 775,236</u>	<u>\$ 820,082</u>	<u>\$ 851,015</u>	<u>\$ 30,933</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Debt Service Fund</u>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 296,148
Differences - Budget to GAAP:	
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>40,536</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - debt service funds	<u><u>\$ 336,684</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 180,602
Differences - Budget to GAAP:	
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	-
The City budgets for salaries paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - debt service funds	<u><u>\$ 180,602</u></u>
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (11)
Differences - Budget to GAAP:	
None.	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - debt service funds.	<u><u>\$ (11)</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2008

	Solid Waste Fund	Cemetery Fund	Golf Course Fund	Total
Assets:				
Current assets:				
Cash	\$ 423,450	\$ 39,048	\$ 59,147	\$ 521,645
Taxes receivable	10,134	-	-	10,134
Noncurrent assets:				
Land	54,783	107,580	625,001	787,364
Buildings and improvements	492,967	4,500	303,770	801,237
Infrastructure	-	-	10,205	10,205
Equipment	1,046,525	-	149,403	1,195,928
Vehicles	803,363	-	-	803,363
Less accumulated depreciation	<u>(1,632,115)</u>	<u>(2,859)</u>	<u>(420,093)</u>	<u>(2,055,067)</u>
Total capital assets, net	<u>765,523</u>	<u>109,221</u>	<u>668,286</u>	<u>1,543,030</u>
Total assets	<u>1,199,107</u>	<u>148,269</u>	<u>727,433</u>	<u>2,074,809</u>
Liabilities:				
Current liabilities:				
Accounts payable	-	585	2,548	3,133
Current maturities of:				
Leases payable	<u>33,675</u>	<u>-</u>	<u>-</u>	<u>33,675</u>
Total current liabilities	33,675	585	2,548	36,808
Non-Current liabilities:				
Leases payable	<u>216,395</u>	<u>-</u>	<u>-</u>	<u>216,395</u>
Total non-current liabilities	<u>216,395</u>	<u>-</u>	<u>-</u>	<u>216,395</u>
Total liabilities	<u>250,070</u>	<u>585</u>	<u>2,548</u>	<u>253,203</u>
Net assets:				
Invested in capital assets, net of related debt	515,453	109,221	668,286	1,292,960
Unrestricted	<u>433,584</u>	<u>38,463</u>	<u>56,599</u>	<u>528,646</u>
Total net assets	<u>\$ 949,037</u>	<u>\$ 147,684</u>	<u>\$ 724,885</u>	<u>\$ 1,821,606</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Solid Waste Fund	Cemetery Fund	Golf Course Fund	Total
Operating Revenues:				
Charges for services	\$ -	\$ 14,755	\$ 36,555	\$ 51,310
Operating Expenses:				
Personnel services	-	-	-	-
General operating	-	4,658	64,483	69,141
Depreciation	140,383	122	8,810	149,315
Total operating expenses	140,383	4,780	73,293	218,456
Operating income (loss)	(140,383)	9,975	(36,738)	(167,146)
Non-Operating Revenues (Expenses):				
State shared taxes	76,340	-	1,835	78,175
Interest income	11,972	-	87	12,059
Interest expense	(3,354)	-	-	(3,354)
Total non-operating (expenses)	84,958	-	1,922	86,880
Income (loss) before transfers	(55,425)	9,975	(34,816)	(80,266)
Transfers:				
Transfers in	-	-	81,000	81,000
Transfers (out)	-	-	(10,223)	(10,223)
Total transfers	-	-	70,777	70,777
Change in net assets	(55,425)	9,975	35,961	(9,489)
Net assets, beginning of year	1,004,462	137,709	688,197	1,830,368
Restatements	-	-	727	727
Net assets, beginning of year restated	1,004,462	137,709	688,924	1,831,095
Net assets, end of year	<u>\$ 949,037</u>	<u>\$ 147,684</u>	<u>\$ 724,885</u>	<u>\$ 1,821,606</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Solid Waste Fund	Cemetery Fund	Golf Course Fund	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ -	\$ 14,755	\$ 36,555	\$ 51,310
Cash payments to suppliers for goods and services	-	(4,073)	(82,364)	(86,437)
Net cash provided (used) by operating activities	-	10,682	(45,809)	(35,127)
Cash Flows by Non-Capital Financing Activities:				
Cash received from intergovernmental sources	66,206	-	1,835	68,041
Net transfers in (out)	-	-	81,000	81,000
Net cash provided by non-capital and financing activities	66,206	-	82,835	149,041
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(19,037)	-	-	(19,037)
Principal payments on capital debt	(11,980)	-	-	(11,980)
Interest paid on capital debt	(3,354)	-	-	(3,354)
Net cash (used) provided by capital and related financing activities	(34,371)	-	-	(34,371)
Cash Flows From Investing Activities:				
Interest income	375	-	87	462
Reclassify cash equivalents at beginning of year as investments	(285,870)	-	87	(285,783)
Net cash (used) by capital and related	(285,495)	-	87	(285,408)
Net increase in cash	(253,660)	10,682	37,113	(205,865)
Cash and cash equivalents, beginning of year	379,643	28,366	22,034	430,043
Cash and cash equivalents, end of year	<u>\$ 125,983</u>	<u>\$ 39,048</u>	<u>\$ 59,147</u>	<u>\$ 224,178</u>
Displayed as:				
Cash	\$ 423,450	\$ 39,048	\$ 59,147	\$ 521,645
Time deposits not considered cash equivalents	(297,467)	-	-	(297,467)
	<u>\$ 125,983</u>	<u>\$ 39,048</u>	<u>\$ 59,147</u>	<u>\$ 224,178</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (140,383)	\$ 9,975	\$ (36,738)	\$ (167,146)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	140,383	122	8,810	149,315
Change in Assets and Liabilities:				
Increase (decrease) in accounts payable	-	585	(17,881)	(17,296)
Total adjustments	140,383	707	(9,071)	132,019
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ 10,682</u>	<u>\$ (45,809)</u>	<u>\$ (35,127)</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
JOINT UTILITY ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 7,905,750	\$ 8,106,459	\$ 8,035,303	\$ (71,156)
Operating Expenses:				
Personnel services	1,613,045	1,552,954	1,485,177	67,777
General operating	4,699,732	4,996,338	4,579,297	417,041
Total operating expenses	<u>6,312,777</u>	<u>6,549,292</u>	<u>6,064,474</u>	<u>484,818</u>
Operating income	1,592,973	1,557,167	1,970,829	413,662
Non-Operating Revenues (Expenses):				
State shared taxes	391,000	422,989	416,611	(6,378)
Intergovernmental	263,985	263,985	58,841	(205,144)
Miscellaneous	100	1,495	1,395	(100)
Interest income	9,881	9,030	24,789	15,759
Retirement of debt	(159,660)	(159,660)	(159,313)	347
Interest expense	(129,595)	(129,595)	(129,905)	(310)
Total non-operating revenues (expenses)	<u>375,711</u>	<u>408,244</u>	<u>212,418</u>	<u>(195,826)</u>
Income before other financing sources (uses)	1,968,684	1,965,411	2,183,247	217,836
Other Financing Sources (Uses):				
Transfers in	295,000	295,000	518,750	223,750
Transfers (out)	(2,737,651)	(2,737,655)	(2,472,655)	265,000
Total other financing sources (uses)	<u>(2,442,651)</u>	<u>(2,442,655)</u>	<u>(1,953,905)</u>	<u>488,750</u>
Net change in cash balance	(473,967)	(477,244)	229,342	706,586
Cash balance, beginning of year	1,055,558	1,055,558	1,055,558	-
Cash converted to restricted cash	<u>-</u>	<u>-</u>	<u>(233,994)</u>	<u>(233,994)</u>
Cash balance, end of year	<u>\$ 581,591</u>	<u>\$ 578,314</u>	<u>\$ 1,050,906</u>	<u>\$ 472,592</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SOLID WASTE ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
Capital outlay	68,000	52,665	19,037	33,628
Operating income	(68,000)	(52,665)	(19,037)	33,628
Non-Operating Revenues (Expenses):				
State shared taxes	55,000	66,206	66,206	-
Interest income	5,500	380	11,972	11,592
Retirement of debt	-	(11,981)	(11,980)	1
Interest expense	-	(3,354)	(3,354)	-
Total non-operating revenues (expenses)	60,500	51,251	62,844	11,593
Net change in cash balance	(7,500)	(1,414)	43,807	45,221
Cash balance, beginning of year	379,643	379,643	379,643	-
Cash balance, end of year	<u>\$ 372,143</u>	<u>\$ 378,229</u>	<u>\$ 423,450</u>	<u>\$ 45,221</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
CEMETERY ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ 10,000	\$ 14,755	\$ 14,755	\$ -
Operating Expenses:				
General operating	<u>6,000</u>	<u>6,000</u>	<u>4,073</u>	<u>1,927</u>
Net change in cash balance	4,000	8,755	10,682	1,927
Cash balance, beginning of year	<u>28,366</u>	<u>28,366</u>	<u>28,366</u>	<u>-</u>
Cash balance, end of year	<u>\$ 32,366</u>	<u>\$ 37,121</u>	<u>\$ 39,048</u>	<u>\$ 1,927</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
GOLF COURSE ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 85,000	\$ 36,555	\$ 36,555	\$ -
Operating Expenses:				
General operating	110,250	102,146	82,364	19,782
Operating (loss)	(25,250)	(65,591)	(45,809)	19,782
Non-Operating Revenues (Expenses):				
State shared taxes	4,250	1,835	1,835	-
Interest income	24	87	87	-
Total non-operating revenues (expenses)	4,274	1,922	1,922	-
Income (loss) before other financing sources (uses)	(20,976)	(63,669)	(43,887)	19,782
Other Financing Sources (Uses):				
Transfers in	90,000	81,000	81,000	-
Net change in cash balance	69,024	17,331	37,113	19,782
Cash balance, beginning of year	22,034	22,034	22,034	-
Cash balance, end of year	<u>\$ 91,058</u>	<u>\$ 39,365</u>	<u>\$ 59,147</u>	<u>\$ 19,782</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
AIRPORT ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 185,860	\$ 292,373	\$ 252,822	\$ (39,551)
Operating Expenses:				
Personnel services	83,506	83,506	78,128	5,378
General operating	181,544	280,479	227,461	53,018
Total operating expenses	<u>265,050</u>	<u>363,985</u>	<u>305,589</u>	<u>58,396</u>
Operating (loss)	(79,190)	(71,612)	(52,767)	18,845
Non-Operating Revenues (Expenses):				
State shared taxes	4,000	6,731	6,730	(1)
Interest income	27	120	119	(1)
Total non-operating revenues expenses	<u>4,027</u>	<u>6,851</u>	<u>6,849</u>	<u>(2)</u>
Income (loss) before other financing sources (uses)	(75,163)	(64,761)	(45,918)	18,843
Other Financing Sources (Uses):				
Transfers in	90,000	90,000	85,000	(5,000)
Net change in cash balance	14,837	25,239	39,082	13,843
Cash balance, beginning of year	<u>25,183</u>	<u>25,183</u>	<u>25,183</u>	<u>-</u>
Cash balance, end of year	<u>\$ 40,020</u>	<u>\$ 50,422</u>	<u>\$ 64,265</u>	<u>\$ 13,843</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Joint Utility Fund</u>	<u>Solid Waste Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 8,035,303	\$ -	\$ 14,755
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial purposes.	<u>24,774</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets	<u><u>\$ 8,060,077</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,755</u></u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 6,064,473	\$ 19,037	\$ 4,073
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	12,334	-	585
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	(27,101)	-	-
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	-	(19,037)	-
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>161,997</u>	<u>140,383</u>	<u>122</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 6,211,703</u></u>	<u><u>\$ 140,383</u></u>	<u><u>\$ 4,780</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Joint Utility Fund</u>	<u>Solid Waste Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 501,635	\$ 78,178	\$ -
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	<u>-</u>	<u>10,134</u>	<u>-</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 501,635</u>	<u>\$ 88,312</u>	<u>\$ -</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (289,218)	\$ (15,334)	\$ -
Differences - Budget to GAAP:			
For budgetary purposes, the City accounts for the principal payment as a debt expenditure. For financial reporting purposes the payment of debt is reflected as a reduction of a liability.	159,313	11,980	-
The City budgets for interest on long-term debt paid for during the accounting period. Accrual of interest payable is not included in the budgetary basis but are considered expenses for financial reporting purposes.	<u>(5,942)</u>	<u>-</u>	<u>-</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$ (135,847)</u>	<u>\$ (3,354)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Joint Utility Fund</u>	<u>Solid Waste Fund</u>	<u>Cemetery Fund</u>
Other Sources of Resources:			
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 518,750	\$ -	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City transferred amounts between various departments within the Joint Utility Fund. Such transfers are reflected on the budgetary basis, but are netted for financial reporting purposes.	<u>(518,750)</u>	<u>-</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (2,472,655)	\$ -	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City transferred amounts between various departments within the Joint Utility Fund. Such transfers are reflected on the budgetary basis, but are netted for financial reporting purposes.	<u>518,750</u>	<u>-</u>	<u>-</u>
Total other (uses) of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ (1,953,905)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Golf Course Fund</u>	<u>Airport Fund</u>
Sources/Inflows of Operating Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 36,555	\$ 252,822
Differences - Budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial purposes.	<u>-</u>	<u>(110)</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 36,555</u>	<u>\$ 252,712</u>
Uses/Outflows of Operating Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 82,364	\$ 305,589
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	(7,658)	(1,414)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	-	2,298
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(10,223)	-
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>8,810</u>	<u>68,424</u>
Total operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 73,293</u>	<u>\$ 374,897</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Golf Course Fund</u>	<u>Airport Fund</u>
Sources/Inflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 1,922	\$ 6,849
Differences - Budget to GAAP:		
None.	<u>-</u>	<u>-</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 1,922</u>	<u>\$ 6,849</u>
Uses/Outflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -	\$ -
Differences - Budget to GAAP:		
None.	<u>-</u>	<u>-</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Golf Course Fund	Airport Fund
Other Sources of Resource:		
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 81,000	\$ 85,000
Differences - Budget to GAAP:		
During the fiscal year, the City completed upgrades to the airport funds within the FAA project fund. The City chose to transfer the amount capitalized from the FAA project fund to the respective enterprise fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	-	1,034,487
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	\$ 81,000	\$ 1,119,487
Other Uses of Resources:		
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ -	\$ -
Differences - Budget to GAAP:		
During the fiscal year, the city purchased capital within the golf course fund. The City chose to transfer the amount capitalized from the golf course fund to the lodger's tax fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	(10,223)	-
Total other (uses) resources as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ (10,223)	\$ -

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ 207,900	\$ 252,602	\$ 252,602	\$ -
Operating Expenses:				
General operating	<u>207,500</u>	<u>242,500</u>	<u>231,151</u>	<u>11,349</u>
Net change in cash balance	400	10,102	21,451	11,349
Cash balance, beginning of year	<u>21,188</u>	<u>21,188</u>	<u>21,188</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 21,588</u></u>	<u><u>\$ 31,290</u></u>	<u><u>\$ 42,639</u></u>	<u><u>\$ 11,349</u></u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION BUDGETARY BASIS COMPARISON SCHEDULES
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Internal Service Fund</u>
Sources/Inflows of Operating Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 252,602
Differences - Budget to GAAP:	
None.	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 252,602</u></u>
Uses/Outflows of Operating Resources:	
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 231,151
Differences - Budget to GAAP:	
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis, but are expenses for financial reporting purposes.	<u>(16,434)</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 214,717</u></u>
Sources/Inflows of Non-Operating Resources:	
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ -
Differences - Budget to GAAP:	
None.	<u>-</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ -</u></u>
Uses/Outflows of Non-Operating Resources:	
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -
Differences - Budget to GAAP:	
None.	<u>-</u>
Total non-operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ -</u></u>
Other Sources of Resources:	
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ -
Differences - Budget to GAAP:	
None.	<u>-</u>
Total transfer in as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ -</u></u>
Other Uses of Resources:	
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ -
Differences - Budget to GAAP:	
None.	<u>-</u>
Total transfer out as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ -</u></u>

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

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2008

Financial Institution/Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Bank of the Southwest 509 Broadway Street Truth or Consequences, NM 87901				
Airport Hangar	Checking	\$ 62,650	\$ 1,315	\$ 63,965
FAA Project/Municipal Airport	Checking	4,498	-	4,498
C I General	Checking	5,816	-	5,816
C I Joint	Checking	8,388	-	8,388
CDBG Comprehensive	Checking	1,301	-	1,301
Court Cost	Checking	12,086	-	12,086
DWI HB108	Checking	30,872	(1,531)	29,341
DWI Fund	Checking	72,191	(858)	71,333
DWI-UA Screening Program	Checking	6,051	(240)	5,811
Special Appropriations Effluent Water	Checking	254,124	-	254,124
Electrical Construction	Checking	10,126	-	10,126
General Fund	Checking	764,650	187	764,837
Golf Course	Checking	59,015	132	59,147
Internal Services	Checking	42,639	-	42,639
Joint Utility Income	Checking	676,253	36,055	712,308
JT Utility Emergency Repair Fund	Checking	59,007	-	59,007
Law Enforcement	Checking	1,982	-	1,982
Federal Seizure Share	Checking	44,066	-	44,066
Lodgers' Tax	Checking	128,433	(7,800)	120,633
Morgan Street Dam Project	Checking	31,378	-	31,378
Municipal Recreation	Checking	31,585	314	31,899
PD Bond Account	Checking	3,001	-	3,001
PD Confidential Fund	Checking	1,224	-	1,224
Police Department Donation	Checking	9,310	-	9,310
Pledge State Tax	Checking	163,076	-	163,076
Payroll Revolving Fund	Checking	98,837	(93,413)	5,424
R & R Water	Checking	20,617	-	20,617
Senior Transportation	Checking	5,823	-	5,823
Solid Waste Disposal	Checking	125,983	-	125,983
State Fire Fund	Checking	55,279	-	55,279
Street Renovation	Checking	52,294	-	52,294
Veteran's Wall	Checking	4,142	-	4,142
Veteran's Wall Prep	Checking	9,684	-	9,684
Capital Improvement Reserves	Savings	954,058	-	954,058
Emergency Repair Reserves	Savings	76,268	-	76,268
Wastewater Repair Reserves	Savings	95,447	-	95,447
Electrical Construction Reserves	Savings	77,341	-	77,341
		<u>\$ 4,059,495</u>	<u>\$ (65,839)</u>	<u>\$ 3,993,656</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2008

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Compass Bank 210 Main Street Truth or Consequences, NM 87901				
Cemetery Fund	Checking	\$ 39,048	\$ -	\$ 39,048
Library Fund	Checking	16,295	6	16,301
Required Reserve 1995 Bond	Savings	53,627	-	53,627
Bond Fund 1995	Savings	52,326	-	52,326
Required Reserve 1996 Bond	Savings	35,201	-	35,201
Bond Fund 1996	Savings	34,951	-	34,951
Bond Pmt Reserve 1998	Savings	16,541	-	16,541
Required Reserve 1998	Savings	14,893	-	14,893
Pledged State	CD	356,960	-	356,960
Solid Waste	CD	297,467	-	297,467
R & R Sewer	CD	237,973	-	237,973
R & R Water	CD	71,019	-	71,019
		<u>\$ 1,226,301</u>	<u>\$ 6</u>	<u>\$ 1,226,307</u>
Wells Fargo Bank, N.A. Public Fund Administration 333 Market Street, 17th Floor San Francisco, CA 94105				
GRT 7/1/96 Reserve Fund	CD	\$ 68,000	\$ -	\$ 68,000
GRT 7/1/96 Reserve Fund	CD	162,978	-	162,978
GRT 7/1/96 Reserve Fund	CD	100,000	-	100,000
		<u>\$ 330,978</u>	<u>\$ -</u>	<u>\$ 330,978</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2008

Bank of the Southwest
P.O. Box 1638
Roswell, NM 88202-1638

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FNMA ARM Pool #86794	31363ENK7	03/01/18	\$ 90,240
FNMA ARM Pool #91962	31363LFB0	05/01/19	24,552
FNMA Pool #260024	31371RYV2	12/01/08	2,078
GNMA II Pool #001536	36202BV51	11/20/08	1,017
GNMA II Pool #1573	36202BXA8	12/20/08	596
GNMA II Pool #008466	36202KMP7	07/20/24	53,481
GNMA II Pool #0880484	36225CRE8	01/20/31	41,138
Letter of Credit	812013374	10/03/08	800,000
Letter of Credit	812013676	06/15/09	1,300,000
Letter of Credit	812013333	08/25/08	350,000
Letter of Credit	812013634	05/18/09	700,000
Letter of Credit	812013653	05/26/09	200,000
Letter of Credit	82520002371	07/09/08	500,000
Total:			<u><u>\$ 4,063,102</u></u>

The holder of the security pledged Bank of the Southwest is Wells Fargo Bank, N.A., Public Funds Administration, 420 Montgomery St., 11th Floor, San Francisco, CA 94104.

The holder of the letters of credit pledged by Bank of the Southwest is Federal Home Loan Bank of Dallas, 8500 Freeport Parkway South, Suite 100, Irving, TX 75063-2547.

Compass Bank
Public Funds Administration
P.O. Box 10566
Birmingham, Alabama 35296

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FHLB 08051960016	3133XBTH8	06/11/10	\$ 254,808
FHLMC Gold Pool M80833	31282R4S0	08/01/10	1,163,199
Total:			<u><u>\$ 1,418,007</u></u>

The holder of the security pledged is Wells Fargo Bank, N.A. The address of the bank is, Public Funds Administration, 420 Montgomery St., 11th Floor, San Francisco, CA 94104.

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
US Department of Housing and Urban Development/Passed through New Mexico Department of Finance and Administration				
Community Development Block Grant (CDBG)	14.227	05-C-NR-I-1-G9	\$ 450,000	\$ 9,690
U.S. Department of Justice/Passed through NM Crime Victims Reparation Commission				
Victims of Crime Act	16.807	2006-VA-GX-0042	14,120	<u>14,095</u>
U.S. Department of Transportation/ Federal Aviation Administration				
Airport Improvement Program	20.106	3-35-0042-009-2006	52,535	11,011
Airport Improvement Program	20.106	3-35-0042-010-2007	921,196	<u>921,175</u>
Total U.S. Department of Housing and Urban Development				932,186
U.S. Department of Homeland Security/ Federal Emergency Management Agency				
Disaster Assistance Program	97.088	FEMA-1659-DR-NM	15,670	<u>15,670</u>
Total Expenditures of Federal Awards				<u><u>\$ 971,641</u></u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Truth or Consequences (City). The City is defined in Note 1 of the City's financial statements. All federal awards received are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using both modified accrual basis of accounting, which is described in Note 1, to the City's financial statements, and the full accrual basis of accounting. All governmental expenditures of the City of Truth or Consequences are presented in accordance with the modified accrual basis of accounting. All proprietary fund expenses of the City are presented in accordance with accrual basis of accounting.

3. NON-CASH ASSISTANCE

During the current fiscal year, the City did not expend any federal non-cash assistance. The City did not receive any federal assistance related to insurance nor did they have any loans or loan guarantees outstanding at year end.

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount to \$971,641. The amounts of expenditures within the funds are reflected within the financial statements as follows:

<u>General Fund</u>	
Public safety	\$ 15,670
Health and welfare	14,095
	29,765
<u>Capital Project Funds</u>	
Electical Construction Fund	
Public works	9,690
Airport Fund	
Capital outlay	932,186
Total primary government	\$ 971,641

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

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, State Auditor
and
Mayor and City Councilors
City of Truth or Consequences
Truth or Consequences, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison statement for the general fund of the City of Truth or Consequences, New Mexico, as of and for the year ended June 30, 2008, which collectively comprise the City of Truth or Consequences, New Mexico basic financial statements and have issued our report thereon dated June 22, 2009. We have also audited the financial statements of the City of Truth or Consequences nonmajor governmental, nonmajor enterprise funds, and the respective budgetary comparison statements for the major FAA projects and debt service governmental funds, major joint utility and airport enterprise funds, nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008. Our report was modified to include a reference to other auditors. The report on the governmental activities, the general fund, the business-type activities, the joint utility fund and internal service fund was qualified because we did not observe the physical taking of inventory at June 30, 2008. Except as discussed in the previous sentence, 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. Other auditors audited the City of Truth or Consequences Housing Authority as described in our report on the City of Truth or Consequences financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Truth or Consequences 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 weaknesses. 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 entity'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 as items 2007-03.

A *material weakness* is a significant deficiency, or combination or 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 the entity'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 believe that 2007-03 of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Truth or Consequences financial statements are free of material misstatement, we performed tests of their 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 no instance of noncompliance, or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraph 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 item 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06 and 2008-07. In regards to the City of Truth or Consequences Housing Authority, the other auditors noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision*, paragraph 5.14 and 5.16, and Section 12-6-5, NMSA 1978 that are described in the accompanying schedule of findings and questioned costs as 07-02, 08-01, and 08-02.

The City of Truth or Consequences' response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Truth or Consequences' response and, accordingly, we express no opinion on it.

The City of Truth or Consequences Housing Authority's response to the findings in their audit is described in the accompanying schedule of findings and questioned costs. The other auditors did not audit the City of Truth or Consequences Housing Authority's response and, accordingly, expressed no opinion on it.

This report is intended solely for the information and use of the City Council, management, the New Mexico State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration Local Government Division, 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.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

June 22, 2009

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
City of Truth or Consequences
Truth or Consequences, New Mexico

Compliance

We have audited the compliance of City of Truth or Consequences, New Mexico with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Truth or Consequences' major federal programs are identified in the summary of auditors' 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 of Truth or Consequences' management. Our responsibility is to express an opinion on the City of Truth or Consequences' 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 non-compliance 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 of Truth or Consequences' 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 of Truth or Consequences' compliance with those requirements.

In our opinion, the City of Truth or Consequences complied, in all material respects, with the requirements referred to above that are applicable each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-08.

Internal Control over Compliance

The management of the City of Truth or Consequences is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Truth or Consequences' 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Truth or Consequences' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Truth or Consequences' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Truth or Consequences' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Councilors, management, New Mexico State Auditor, New Mexico State Legislature, New Mexico Department of Finance and Administration Local Government Division, 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.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

June 22, 2009

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness (es) identified X Yes No
- Significant deficiency (ies) identified that are not considered to be material weaknesses Yes X None reported
- Noncompliance material to financial statements noted Yes X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified Yes X No
- Significant deficiency (ies) identified that are not considered to be material weaknesses Yes X None reported

Type of auditors' report issued on Compliance with major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 Yes X No

Program tested as major programs include:

Program	CFDA No.
Airport Improvement Program	20.106

- The threshold for distinguishing Types A and B programs was \$300,000.
- Auditee qualified as low-risk auditee? Yes X No

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Primary Government

Item 2007-03 – Preparation of Financial Statements, Disclosures and Accounting Activity

Statement of Condition – The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The City requires the independent auditors gather necessary information (receivables, capital assets, accounts payable, and compensated absences) in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP.

Furthermore, the following deficiencies regarding the City’s accounting activity were noted:

- The City failed to record financial activity related to debt of the City held by outside parties. In particular, the City failed to record activity at the New Mexico Finance Authority for earning of interest income, the transfer of funds between accounts and the beginning and ending cash balances for all accounts. Further, the City failed to record financial activity at the Bank of Albuquerque related to debt. The financial statements were restated to correct the errors.
- The City failed to record the assets and liabilities related to their new capital leases with various lenders for equipment. The financial statements were restated to correct the errors.
- At year-end, the City failed to prepare a schedule of all receivables and a schedule of accounts payable.
- For the fiscal year ended June 30, 2007, the City’s capital asset subsidiary records were overstated in relationship to the final capital asset audited balances presented in the audit report by the prior year auditor. During the fiscal year, the City didn’t reconcile or determine the difference between their records and the audit report. Furthermore, the capital assets subsidiary additions records include assets with a cost of less than \$5,000.

Criteria – Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 109, paragraph 41 states the following: *“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives.”*

SAS 112 paragraph 11 provides examples of factors that may affect the likelihood that a control, or combination of controls could fail to prevent or detect a misstatement. One such example is *“The nature of the financial statements accounts, disclosures, and assertions involved.”*

SAS 112 paragraph 19 provides a list of indicators of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2007-03 – Preparation of Financial Statements and Disclosures (continued)

Criteria (continued) – Two such examples are (1) *“Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance”*, and (2) *“Restatement of previously issued financial statements to reflect the correction of a material misstatement”*. Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

Effect – Since the City personnel did not prepare the financial statements, and City personnel failed to prepare or record key components of the financial statements, there is an increased risk that a misstatement of the City’s financial statements, that is more than inconsequential, will not be prevented or detected. The City’s accounting staff lacks the proper knowledge or training regarding some aspects of the conditions noted, such as the reconciliation of capital assets. Besides the increased risk of a material misstatement, the auditor may lose independence and be unable to express an opinion on the financial statements since they prepared the key components of and the preparation of the financial statements.

Cause – The City’s staff has not received the proper training, therefore they are unable to perform the additional accounting. Additionally, due to their other accounting duties, the staff does not have sufficient work hours needed to prepare the key components of the financial statements that are prepared on the economic resources measurement focus (which includes the accrual basis of accounting), and the current financial resources measurement focus (which includes the modified accrual basis of accounting). When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient, however, the accounting profession (American Institute of Certified Public Accountants) by issuance of SAS 112, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation – We recommend the City employ an accountant who has the ability to prepare the financial statements in accordance with GAAP. Further, the City should implement accounting procedures that would convert their year-end cash basis accounting information into the accrual basis of accounting. Alternately, the City could choose to consult with a certified public accounting firm, not performing the audit prior to and during the audit process that would assist the City in the preparation of the financial statements and the related notes.

Views of Responsible Officials and Planned Corrective Actions – We understand the finding. It was explained by our prior auditors that the regulations are meant for larger entities that have the staff and funding to hire personnel or contractors. They also explained that compliance with this item might be beyond our resources and we could opt to “live” with this finding until our resources improved.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2007-03 – Preparation of Financial Statements and Disclosures (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – This year, the City had to institute a hiring freeze; a major purchase freeze; and could not give our employees a cost of living increase in order to mitigate the revenue shortfall that we experienced. In the future, we hope to take the recommended actions by either employing an accountant or contracting with a certified public accounting firm.

Item 2008-01 – Board of Commissioners’ Official Minutes

Statement of Condition – The draft copies of the Board of Commissioners’ minutes were not prepared within ten working days after the Board meeting. Further, the City did not approve the Board of Commissioners’ minutes at the next meeting where a quorum was present.

Criteria – The board minutes are the legal documents of the Commission. New Mexico State Statutes Section 10-15-1G NMSA 1978 requires that draft minutes be prepared within ten working days after the meeting and be approved, amended or disapproved at the next meeting where a quorum is present.

Effect – The failure of the Clerk’s office to produce timely Board of Commissioners’ minutes could allow inaccurate information to be presented. If Board minutes are not timely prepared and reviewed by the Commission, it could affect the Commissioner’s ability to readily recall what took place during the prior meeting and correct any misstatements or actions (resolutions, ordinances, etc.) stated in the minutes. Furthermore, noncompliance with the New Mexico State Statutes could subject officials and employees to penalties and fines.

Cause – The City Clerk’s office was short staffed during the fiscal year and was unable to have draft copies of the minutes prepared by the next Commissioners’ meeting.

Recommendation – We recommend the City implement administrative procedures and/or hire additional staff to ensure compliance with New Mexico State Statutes.

Views of Responsible Officials and Planned Corrective Actions – The City Clerk understands the state requirements concerning the Open Meetings Act and is always in compliance; however, the delay in preparing the minutes in question timely was due to personnel shortages.

Item 2008-02 – Deposit and Investment of Public Funds

Statement of Condition – The City utilized the services of Wells Fargo Bank to invest idle cash in certificates of deposit at financial institutions located outside of the geographical boundaries of the City. As of June 30, 2008, the City had purchased two certificates of deposit totaling \$168,000.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2008-02 – Deposit and Investment of Public Funds (continued)

Statement of Condition (continued) - The certificates of deposit are located in Seattle, WA and Flushing, NY. Furthermore, the City invested these funds with Wells Fargo Bank, whom does not have any branches in Sierra County, where the City is located.

Criteria – New Mexico State Statutes Section 6-10-10B NMSA 1978 allows municipal treasurers to deposit money in one or more accounts with any such bank, savings and loan association or credit union located in their respective counties, subject to limitation on credit union accounts. Section 6-10-10F NMSA 1978 discusses the method the City may invest idle cash. Such investments must be either bonds or negotiable securities of the United States, or of the state; county, municipality or school district that has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding. Section 6-10-10.1 allows the City to deposit idle cash with the New Mexico State Treasurer within the short-term investment fund. The state statutes do not allow idle funds to be invested in certificates of deposit in institutions that are located outside the state of New Mexico.

Effect – Investing idle cash with banks not located within Sierra County or the state of New Mexico is a violation of state statutes. Noncompliance with the New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – The investments with Wells Fargo Bank were created in 1996 in relation to a bond issuance for the City. The City is unaware of the New Mexico State Statutes concerning the requirements and limitations of investing idle cash.

Recommendation – We recommend City officials expedite the establishment of a policy and procedure related to investments of idle cash that would provide assurance of compliance with state laws and regulations.

Views of Responsible Officials and Planned Corrective Actions – Ten years ago, the City entered into a loan agreement with Wells Fargo Bank. We discovered the issue last year and asked the City Commissioners if any of them recalled why the City entered into an agreement for a loan with a bank that did not meet state investment criteria. We were informed they did not believe any rule was being forsaken. The City Commission agreed, at the time, the way to resolve the issue was to refinance the existing loan in a manner that complied with state law.

Although we began working on the refinancing early in the 2007-2008 fiscal year, we were not able to close on the refinanced loan until February 2009. The City has refinanced the loan associated with the deposit and investment of public funds with the New Mexico Finance Authority and no longer has any deposit and investments with Wells Fargo Bank.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2008-03 – Collateral of Public Monies

Statement of Condition – As of June 30, 2008, the City had uninsured deposits of public monies in the amount of \$230,978 at Wells Fargo Bank that were not secured with collateral as required by state statutes.

Criteria – New Mexico State Statutes Section 6-10-17 NMSA 1978 states that each bank or savings and loan association that is a depository for public funds must pledge an amount equal to one half of the amount of public money in each account.

Effect – Uninsured deposits of public monies are jeopardized in the event of a failure of the financial institution that holds the deposits. Furthermore, noncompliance with New Mexico State Statutes subject City officials and responsible personnel to punishment as defined by state statutes.

Cause – City staff failed to detect the insufficient collateral pledged by Wells Fargo Bank.

Recommendation – We recommend the City ensure that procedures are established to monitor collateral pledged. The procedures should be adhered to on a monthly basis to provide assurance of compliance with laws and regulations related to the collateralization of public monies.

View of Responsible Officials and Planned Corrective Actions – Ten years ago, the City entered into a loan agreement with Wells Fargo Bank. We discovered the issue last year and asked the City Commissioners if any of them recalled why the City entered into an agreement for a loan with a bank that did not meet state investment criteria. We were informed they did not believe any rule was being forsaken. The City Commission agreed, at the time, the way to resolve the issue was to refinance the existing loan in a manner that complied with state law.

Although we began working on the refinancing early in the 2007-2008 fiscal year, we were not able to close on the refinanced loan until February 2009. The City has refinanced the loan associated with the deposit and investment of public funds with the New Mexico Finance Authority and no longer has any deposit and investments with Wells Fargo Bank.

Item 2008-04 – FY 2006 – 2007 Audit Report Discussion

Statement of Condition – The draft audit report for the year ended June 30, 2007 was discussed on December 11, 2007 in a public meeting, prior to the approval of the audit report by the State Auditor's office. The Board of Commissioners discussed the management representation letter, internal control deficiencies, and compliance issues which arose during the audit process.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2008-04 – FY 2006 – 2007 Audit Report Discussion (continued)

Criteria – New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* Section 10 J (3) states, ‘Neither the IPA nor agency personnel shall release any information to the public relating to the audit at the time of the exit conference or at any other time until the audit report becomes public record.’ The report becomes public record upon release by the State Auditor’s office and there can be **no** public discussion concerning the audit report until that time. The City failed to comply with the administrative code regarding the discussion of the audit report in a City Commission public meeting.

Effect – Preliminary discussions of internal control deficiencies and compliance issues that have not been properly reviewed could lead to erroneous conclusions that become public record as a matter of discussion. City officials and personnel are subject to penalties and fines as defined in the New Mexico Administrative Code 2.2.2 and the New Mexico State Statutes.

Cause – The Board of Commissioners, the City Manager, and City staff were unaware of the requirements of the Administrative Code and the State Auditor’s office concerning the public discussion of the audit report, prior to the report being reviewed, approved, and released by the State Auditor’s office and becoming public record.

Recommendation – We recommend City officials and City staff review the New Mexico Administrative Code 2.2.2 and establish procedures to provide assurance of compliance with laws and regulations.

View of Responsible Officials and Planned Corrective Actions – The details of the audit were not discussed at the meeting; however, we understand it was not appropriate to discuss the audit report, and this issue will not occur in the future.

Item 2008-05 – FY 2006 – 2007 Audit Report Presentation and Approval

Statement of Condition – The audit report for the year ended June 30, 2007, was presented for approval, on July 8, 2008, to a quorum of the governing authority of the City in a public meeting. However, the audit report was not approved by the Board of Commissioners.

Criteria – New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* Section 10 J (3) (d) states, ‘Once the audit report is officially released to the agency by the State Auditor (by an authorizing letter) and the required waiting period of ten business days has passed, the audit report **shall** be presented to a quorum of the governing authority of the agency for approval at a public meeting.’ The requirement to present the report in a public meeting aids in ensuring that the governing authority has reviewed and is in agreement with the audit report as presented.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2008-05 – FY 2006 – 2007 Audit Report Presentation and Approval (continued)

Effect – By failing to approve the audit report at a public meeting, the citizens of the City were not afforded the opportunity to witness the approval of the report by the governing authority. In addition, the City did not place into its public records, the governing authority approval of the report. The City is not in compliance with the New Mexico Administrative Code 2.2.2. City officials and personnel are subject to penalties and fines as defined in the New Mexico Administrative Code 2.2.2 and the New Mexico State Statutes.

Cause – City staff presented the reissued audit report for the fiscal year ended June 30, 2007, with the recommendation to approved the report and submit to the New Mexico Department of Finance and Administration. The Board of Commissioners failed to act on the City staff's recommendation to approve the audit report.

Recommendation – We recommend City officials and staff reviews the New Mexico Administrative Code 2.2.2 and establish procedures to provide assurance of compliance with laws and regulations.

View of Responsible Officials and Planned Corrective Actions – City staff presented the audit report to the City Commission for approval; however, after a lengthy discussion, the Commission tacitly accepted the audit without a formal vote. City staff also failed to notice that a formal vote was not taken. Once this issue was brought to our attention by our fiscal 2008 auditors, we presented the 2007 audit report again to the City Commission on October 14, 2008 and received formal approval.

Item 2008-06 – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2008, was due to the New Mexico State Auditor's office by December 1, 2008. The audit report was submitted via U.S. mail on July 3, 2009 to the New Mexico State Auditor's Office.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* requires that the City submit its audit report by December 1st following the end of each fiscal year at June 30th.

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – The Truth or Consequences Housing Authority is a component unit of the City. As such, the audit report of the Housing Authority must be incorporated into the audit report of the City. The draft audit report of the Housing Authority was not presented to the City auditors until March 2009.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2008-06 – Submission of Audit Report (continued)

Recommendation – We recommend the City and the Housing Authority have discussions to emphasize the need for a copy of the Housing Authority's audit report to be provided to the City auditor by November 1st. This will aid to ensure the City's auditors have ample time to incorporate the necessary information into the City's audit report to be completed, submitted, reviewed, and approved by the State Auditor's office.

Views of Responsible Officials and Planned Corrective Actions – The City holds the firm of Fierro & Fierro & Fierro, P.A. responsible for this finding. We believe the firm could have avoided the finding by submitting the audit on time, subject to an amendment after the Housing Authority's audit was submitted. If the State Auditor's office had rejected the audit as insufficient, we would have a paper trail to indicate the auditors had attempted to comply, but could not, due to issues beyond their control. Further, even after the Housing Authority submitted their audit report in February 2009, the auditors did not complete the audit report until June 2009.

Auditing Firm's Response – Due to the city's right and ability to impose its will on the Housing Authority (component unit), it is ultimately the City's responsibility to ensure that both the City's and Housing Authority's audits be completed prior to the due date. The City and the Housing Authority failed to communicate with each other to provide a copy of the Housing Authority's audit report to the City's auditors, once the audit was completed. As per the City's response, the Housing Authority's audit report was completed in February 2009, however; the City and the Housing Authority failed to provide a copy of the audit report to the City's auditors until the last week of March 2009.

Furthermore, the New Mexico State Auditor's office will not accept a primary government's (City) audit report unless the component unit's (Housing Authority) information is included in the report, along with the component unit's separate audit report. Failure to submit the component unit's information in the primary government's audit report deems the primary government's audit report not to be submitted to the State Auditor's office. Amendments, such as the one suggested in the City's response, cannot be, and are not allowed by the State Auditor's office.

Item 2008-07 – Cash Receipts

Statement of Condition – The following is a list of deviations concerning the City's cash receipts process:

- The City does not always issue, to the payer, a pre-numbered receipt that indicates the mode of payment and the type of collection.
- In addition, in lieu of posting individual transactions for each cash collection, the City is posting daily summary balances that have been manually prepared.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2008-07 – Cash Receipts (continued)

Statement of Condition (continued) - The City does not have sufficient controls in place to properly safeguard the collection and recording of its cash receipts.

Criteria – The term *deviation* refers to instances when the City's internal controls are not followed. Section 3.2, titled *Monies Received*, of the City's accounting policies and procedures manual states, 'All money received shall be recorded by an entry for each individual transaction. The payer is issued a receipt. The receipt and cash receipt record indicates the mode of payment, i.e., check, cash, electronic funds transfers, etc. Receipts are issued in numerical sequence.'

Effect – Deviations undermine the City's internal controls over cash receipts and provide more opportunities for fraud. This is especially true, since the deviations resulted from overriding existing controls implemented in the City's accounting policies and procedures manual.

Cause – The City's finance department, along with the utility office and the clerk's office, failed to follow and implement the policies and procedures as they are stated in the City's accounting policies and procedures manual.

Recommendation – We recommend the City's finance department, along with the utility office and the clerk's office, review their own accounting policies and procedures manual concerning cash receipts. The utility billing module in the utility office, along with the receipt module in the Clerk's office, is interfaced with the general ledger module; however, individual transactions need to be posted to the subsidiary records upon receipt.

Views of Responsible Officials and Planned Corrective Actions – We understand the finding and have implemented a procedure that requires a pre-numbered receipt be issued that indicates the mode of payment and the type of collection. The City's utility billing module is interfaced with the general ledger module. The receipt module utilized by the City Clerk's office is individually recorded and is interfaced with the general ledger module.

Component Unit

Item 07-02 – Preparation of Financial Statements

Statement of Condition – The financial statements and related disclosures are not being prepared by the Authority.

Criteria – The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112 concludes that a well designed system of internal control includes controls over financial reporting as well as other areas.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Component Unit (continued)

Item 07-02 – Preparation of Financial Statements (continued)

Effect – When sufficient controls over financial reporting are not operating effectively, the Authority's ability to prevent or detect a misstatement in its financial statements is limited.

Cause – Authority personnel have been unable to dedicate the time necessary to gain an understanding of the elements of external financial reporting.

Recommendation – We recommend that the Authority's personnel receive training in the requirements of external financial reporting.

Views of Responsible Officials and Planned Corrective Actions – While the Authority agrees with this finding and the resulting recommendation, in the near future, the Authority does not believe the resources will be available to enact the recommendation.

Item 08-01 – Late Audit Report Submission

Statement of Condition – The audit report for the Authority was submitted to the New Mexico State Auditor by common carrier on February 26, 2009.

Criteria – Section 2.2.2.9 A (1) of NMAC 2008, commonly called the Audit Rule, requires submission of the audit report no later than December 1, 2008.

Effect – Legislative bodies and others relying on the audit report were unable to perform a timely analysis, and the Authority has violated the aforementioned section of the Audit Rule.

Cause – The U.S. Department of Housing and Urban Development (HUD), which is the principal funding source for the Authority, requires a Financial Data Schedule be presented as supplementary information in the audit report. This schedule is based on an on-line submission to HUD, and is submitted under their operating system. HUD is in the process of updating their on-line submissions, and the operating system was unable to accept the Authority's data. The Authority was just informed that the paper should, for this year, be submitted without the Financial Data Schedule.

Recommendation – We recommend that the Authority comply with Section 2.2.2.9 NMAC 2008 when submitting future audit reports.

Views of Responsible Officials and Planned Corrective Actions – HUD's Real Estate Assessment Center (REAC) is the central point for receiving and submitting financial data to HUD, including submission of the Financial Data Schedule (FDS) required for public housing authorities audit reports.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Component Unit (continued)

Item 08-01 – Late Audit Report Submission (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – REAC is in the process of updating the FDS to comply with asset management. As a result of this update, public housing agencies with fiscal years ending June 30, 2008, were unable to create an unaudited financial submission until after January 12, 2009. Audited financial submission capability will not be available until the end of April 2009. We recently got direction from HUD to go ahead with our hard copy audit submission without the required financial data schedule.

Item 08-02 – Depository Collateral

Statement of Condition – The Authority’s cash deposits at Compass Bank were under collateralized by \$118,240 at June 30, 2008.

Criteria – Section 6-10-17 NMSA 1978 requires that financial institutions holding public funds pledge collateral sufficient to collateralize at least 50% of public funds on deposit. If those deposits include repurchase agreements, such repurchase agreements must be collateralized 100%.

Effect – The Authority’s cash deposits are at an increased risk of loss, and New Mexico statutes have been violated.

Cause – The Authority does not currently have a policy requiring the monthly review of depository collateral to insure compliance with collateralization requirements.

Recommendation – We recommend that the Authority establish a policy requiring monthly review of pledged collateral from financial institutions, to insure compliance with state statutes.

View of Responsible Officials and Planned Corrective Actions – Compass Bank did not consider the “sweep” accounts to be repurchase agreements, and therefore it was believed that the Authority was adequately collateralized. In the future, the Authority will review depository collateral compliance monthly.

SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS – AIRPORT IMPROVEMENT PROGRAM 20.106

Primary Government

Item 2008-08 – Submission of the Reporting Package to the Federal Government

Statement of Condition – The audit report along with the data collection form is due to the federal government within nine months after the end of the fiscal year. The audit report was not completed until June 2009 and as such was not submitted to the federal government on a timely basis.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS – AIRPORT IMPROVEMENT PROGRAM 20.106 (continued)

Primary Government (continued)

Item 2008-08 – Submission of the Reporting Package to the Federal Government (continued)

Criteria – Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* issued by the U.S. Office of Management and Budget requires that the audit report along with the data collection form be submitted no later than nine months after the fiscal year end. In the case of the City audit for the fiscal year ended June 30, 2008, that due date was March 31, 2009.

Effect – Non-compliance with federal requirements such as the submission of the single audit report and the data collection form could jeopardize future funding from the federal government.

Cause – The Truth or Consequences Public Housing Authority is a component unit of the City. As such, the audit report of the Housing Authority must be incorporated into the audit report of the City. The draft audit report of the City's Housing Authority was not submitted to the City auditors until March 2009. By receiving the audit report so close to the federal government due date, the City's auditing firm was unable to have the audit report completed, submitted, reviewed, and approved prior to March 31, 2009.

Recommendation – We recommend the City and the Housing Authority work together to ensure all financial information, including a draft copy of the audit report, is provided to the auditor prior to November 1st to allow the City's audit report to be completed, submitted, reviewed, and approved by the State Auditor's office before submission of the data collection form to the federal government.

Views of Responsible Officials and Planned Corrective Actions – The City holds the firm of Fierro & Fierro, P.A. responsible for this finding. We believe the firm could have avoided the finding by submitting the audit on time, subject to an amendment after the Housing Authority's audit was submitted. If the State Auditor's office had rejected the audit as insufficient, we would have a paper trail to indicate the auditors had attempted to comply, but could not, due to issues beyond their control. Further, even after the Housing Authority submitted their audit report in February 2009, the auditors did not complete the audit report until June 2009.

Auditing Firm's Response – Due to the city's right and ability to impose its will on the Housing Authority (component unit), it is ultimately the City's responsibility to ensure that both the City's and Housing Authority's audits be completed prior to the due date. The City and the Housing Authority failed to communicate with each other to provide a copy of the Housing Authority's audit report to the City's auditors, once the audit was completed. As per the City's response, the Housing Authority's audit report was completed in February 2009, however; the City and the Housing Authority failed to provide a copy of the audit report to the City's auditors until the last week of March 2009.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS – AIRPORT IMPROVEMENT PROGRAM 20.106 (continued)

Primary Government (continued)

Item 2008-08 – Submission of the Reporting Package to the Federal Government (continued)

Auditing Firm’s Response – Furthermore, the New Mexico State Auditor’s office will not accept a primary government’s (City) audit report unless the component unit’s (Housing Authority) information is included in the report, along with the component unit’s separate audit report. Failure to submit the component unit’s information in the primary government’s audit report deems the primary government’s audit report not to be submitted to the State Auditor’s office. Amendments, such as the one suggested in the City’s response, cannot be, and are not allowed by the State Auditor’s office.

Component Unit

None.

SECTION IV – PRIOR YEARS’ AUDIT FINDINGS

Primary Government

Item 2007-01 – Pledged Collateral – Deposits – In the previous year’s audit report, it was noted the City’s pledged collateral was composed from out of state bonds that were not rated BAA or above. During the fiscal year, the City had discussions with their bank and the bank changed the types of pledged collateral in respect to the City’s deposits. This finding is considered resolved.

Item 2007-02 – Internal Control – Maintenance of Capital Assets Detail – In the previous year’s audit report, the auditor’s noted the City failed to update their capital asset and depreciation schedule to include assets purchased with debt proceeds. During the fiscal year, the City reviewed its policies and procedures concerning capital assets purchased with debt proceeds and made various improvements. This finding is considered resolved.

Item 2007-03 – Preparation of Financial Statements – In the previous year’s audit report, it was noted the financial statements and related note disclosures are not being prepared by the City. The auditing firm prepared the financial statements. The finding has not been resolved and is updated and repeated as item 2007-03.

Item 2007-04 – Lack of Procedures to Monitor Internal Control and Lack of Anti-Fraud Program
In the previous year’s audit report, it was noted the City did not have procedures in place to monitor internal control and does not have a documented anti-fraud program. During the fiscal year, the City implemented procedures concerning internal controls and an anti-fraud program. This finding is considered resolved.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION IV – PRIOR YEARS’ AUDIT FINDINGS (continued)

Primary Government (continued)

Item 2007-05 – Material Misstatements – In the previous year’s audit report, it was noted the City’s beginning net assets were restated. The auditors stated in the criteria that 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. During the fiscal year 2008, the beginning net assets were restated due to errors as discussed in item 2007-03. This finding is not considered resolved. The finding has been modified and included in item 2007-03.

Component Unit

Item 2007-01 – Pledged Collateral – In the previous year’s audit report, it was noted the Authority’s pledged collateral was composed of Texas entities, that were not rated BAA or above. During the fiscal year, the Authority met with their bank and the pledged collateral was changed to meet state statutes. This finding is considered resolved.

Item 2007-02 – Preparation of Financial Statements – In the previous year’s audit report, it was noted the financial statements and related not disclosures are not being prepared by the Authority. The auditing firm prepared the financial statements. The finding has not been resolved and is updated and repeated.

Item 2007-03 – Lack of Procedures to Monitor Internal Control and Lack of Anti-Fraud Program
In the previous year’s audit report, it was noted the Authority did not have procedures in place to monitor internal control and does not have a documented anti-fraud program. During the fiscal year, the Authority implemented procedures concerning internal controls and an anti-fraud program. This finding is considered resolved.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2008**

**CITY OF TRUTH OR CONSEQUENCES
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2008, was discussed during the exit conference held on June 25, 2009. Present for the City were Lori S. Montgomery, mayor, and Jaime R. Aguilera, city manager. Present for the auditing firm were Rose Fierro, CPA and Dominic Fierro, Senior Auditor.

**PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2008 was discussed during the exit conference held on October 21, 2008. Present for the Public Housing Authority was LeeAnn Tooley, board member; Marie Bradley, executive director; Suzi Slater, chief finance officer; and Rita Johnson, director of housing. Present for the auditing firm was Kay Stone, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Truth or Consequences as of June 30, 2008. The City's upper management have reviewed and approved the financial statements and related notes, and they believe that the City's books and records adequately support them.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Stone, McGee & Co., Certified Public Accountants prepared the financial statements of the Housing Authority as of June 30, 2008. The Housing Authority's upper management have reviewed and approved the financial statements and related notes, and they believe that the Housing Authority's books and records adequately support them.