

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

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

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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, 2009

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

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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, 2009, 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, 2009, 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 \$4,928,718, net assets of \$3,580,655 as of June 30, 2009, and revenues of \$2,098,538 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.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Truth or Consequences, New Mexico, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, 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 above present fairly, in all material respects, the financial position of each nonmajor governmental and enterprise funds of the City of Truth or Consequences, as of June 30, 2009, and the respective changes in financial position and cash flows where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the general fund, Veteran's Wall fund, debt service fund, major enterprise funds, and the nonmajor governmental and enterprise funds referred to above present fairly, in all material respects, the budgetary comparisons for each fund of the City of Truth or Consequences for the year ended June 30, 2009, in conformity with the budgetary basis of accounting more fully described in Note 1D, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Truth or Consequences has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the budgetary comparison statements. The additional schedules listed as supplemental 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 basic financial statements and other opinion 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.

A handwritten signature in cursive script that reads "Fierro & Fierro, P.A.".

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

November 30, 2009

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$ 2,300,702	\$ 1,790,254	\$ 4,090,956	\$ 1,081,556
Receivables, net of allowance for doubtful accounts:				
Accounts	-	920,952	920,952	260,666
Taxes	563,566	11,924	575,490	-
Intergovernmental	398,157	-	398,157	-
Prepaid expenses	-	-	-	4,917
Inventory	129,833	864,614	994,447	5,165
Restricted cash	371,296	1,650,246	2,021,542	300,992
Restricted investments	2,521,800	28,035	2,549,835	-
Capital assets:				
Land and construction in progress	4,718,680	1,712,406	6,431,086	746,633
Other capital assets, net of depreciation	4,123,663	6,014,614	10,138,277	2,528,789
Unamortized loan costs	42,918	-	42,918	-
Total assets	15,170,615	12,993,045	28,163,660	4,928,718
LIABILITIES				
Accounts payable	360,551	347,827	708,378	107,153
Accrued salaries	77,658	41,816	119,474	-
Accrued liabilities	-	-	-	23,701
Accrued interest payable	62,596	54,491	117,087	-
Deposits payable	-	126,022	126,022	53,213
Long-term liabilities:				
Due within one year	394,794	271,974	666,768	31,056
Due in more than one year	4,505,266	4,011,116	8,516,382	1,132,940
Total liabilities	5,400,865	4,853,246	10,254,111	1,348,063
NET ASSETS				
Invested in capital assets, net of related debt	4,058,243	3,902,443	7,960,686	2,155,465
Restricted for housing assistance payments	-	-	-	89,138
Restricted for debt service	2,893,096	-	2,893,096	152,647
Unrestricted	2,818,411	4,237,356	7,055,767	1,183,405
Total net assets	\$ 9,769,750	\$ 8,139,799	\$ 17,909,549	\$ 3,580,655

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, 2009

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	\$ 1,668,607	\$ 57,856	\$ 284,227	\$ -	\$ (1,326,524)		\$ (1,326,524)	
Public safety	1,493,034	21,905	354,693	-	2,010,690		2,010,690	
Public works	1,454,588	-	72,344	241,724	(1,140,520)		(1,140,520)	
Culture and recreation	580,184	66,020	29,223	567,751	82,810		82,810	
Health and welfare	355,348	-	-	-	(355,348)		(355,348)	
Interest on long-term debt	130,077	-	-	-	(130,077)		(130,077)	
Total governmental activities	5,681,838	145,781	740,487	809,475	(3,986,095)		(3,986,095)	
Business-type activities:								
Water	1,262,966	1,068,333	26,817	-		\$ (167,816)	(167,816)	
Solid waste	1,043,713	907,921	-	-		(135,792)	(135,792)	
Wastewater	928,219	742,512	-	-		(185,707)	(185,707)	
Electric	3,554,522	5,729,244	-	-		2,174,722	2,174,722	
Airport	393,381	220,048	-	-		(173,333)	(173,333)	
Cemetery	12,678	12,825	-	-		147	147	
Golf course	47,493	10,814	-	-		(36,679)	(36,679)	
Interest on long-term debt	143,245	-	-	-		(143,245)	(143,245)	
Total business-type activities	7,386,217	8,691,697	26,817	-	-	1,332,297	1,332,297	
Total primary government	\$ 13,068,055	\$ 8,837,478	\$ 767,304	\$ 809,475	(3,986,095)	1,332,297	(2,653,798)	
Component Unit:								
Housing Authority	\$ 1,885,580	\$ 435,184	\$ 1,663,354	\$ -				\$ 212,958
General revenues:								
Local effort taxes					1,561,980	-	1,561,980	-
State shared taxes					1,691,208	526,836	2,218,044	-
Interest income					34,358	28,800	63,158	-
Gain (loss) on disposal of assets					-	-	-	(18,532)
Total general revenues					3,287,546	555,636	3,843,182	194,426
Transfers, net					1,832,807	(1,832,807)	-	-
Change in net assets					1,134,258	55,126	1,189,384	194,426
Net assets, beginning of year					8,635,492	8,084,673	16,720,165	3,386,229
Net assets, end of year					\$ 9,769,750	\$ 8,139,799	\$ 17,909,549	\$ 3,580,655

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, 2009

	General Fund	Veteran's Wall Fund	Debt Service Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS					
Cash	\$ 827,218	\$ 2,358	\$ 619,922	\$ 789,597	\$ 2,239,095
Receivables, net of allowance for doubtful accounts:					
Taxes	486,025	-	47,698	29,843	563,566
Intergovernmental	32,657	309,083	-	56,417	398,157
Inventory	38,262	-	-	-	38,262
Restricted:					
Cash	-	-	371,296	-	371,296
Investments	19,763	-	1,966,722	535,315	2,521,800
Total assets	\$ 1,403,925	\$ 311,441	\$ 3,005,638	\$ 1,411,172	\$ 6,132,176
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 51,542	\$ 306,678	\$ -	\$ 2,331	\$ 360,551
Accrued salaries	77,658	-	-	-	77,658
Deferred revenues	18,732	-	-	-	18,732
Total liabilities	147,932	306,678	-	2,331	456,941
Fund Balances:					
Reserved:					
Subsequent year's expenditures	347,365	-	-	-	347,365
Subsequent year's expenditures reported in nonmajor:					
Special revenue funds	-	567	-	101,299	101,866
Capital projects funds	-	-	-	227,050	227,050
Debt service	-	-	3,005,638	-	3,005,638
Unreserved	908,628	-	-	-	908,628
Unreserved, reported in nonmajor:					
Special revenue funds	-	4,196	-	398,553	402,749
Capital projects funds	-	-	-	681,939	681,939
Total fund balances	1,255,993	4,763	3,005,638	1,408,841	5,675,235
Total liabilities and fund balances	\$ 1,403,925	\$ 311,441	\$ 3,005,638	\$ 1,411,172	\$ 6,132,176

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, 2009

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

Total fund balance governmental funds (page six)	\$	5,675,235
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		8,842,343
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.		18,732
Debt issuance costs are reported as expenditures in governmental funds. Within governmental activities such issuance costs are recognized over the life of the related loan.		42,918
Certain accrued interest expense is not due and payable in the current period and, therefore is not reported in the governmental funds.		(62,596)
Long-term liabilities, including notes payable, that are not due and payable in the current period, and, therefore are not reported in the funds.		(4,900,060)
Residual balances of the internal service funds are included within the governmental activities and are not reported with the governmental funds.		<u>153,178</u>
Net assets of governmental activities (page four)	\$	<u><u>9,769,750</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, 2009

	General Fund	Veteran's Wall Fund	Debt Service Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:					
Local effort taxes	\$ 1,130,001	\$ -	\$ -	\$ 425,060	\$ 1,555,061
State shared taxes	1,341,972	-	264,732	84,504	1,691,208
Intergovernmental	324,179	524,513	-	680,194	1,528,886
Charges for services	64,747	-	-	35,074	99,821
Licenses and permits	35,063	-	-	-	35,063
Fines and forfeitures	9,772	-	-	-	9,772
Interest	1,057	-	28,004	5,296	34,357
Miscellaneous	17,141	-	-	5,061	22,202
Total revenues	2,923,932	524,513	292,736	1,235,189	4,976,370
Expenditures:					
Current:					
General government	1,481,015	-	768	158,061	1,639,844
Public safety	1,166,596	-	-	251,025	1,417,621
Public works	1,034,754	-	-	340,687	1,375,441
Culture and recreation	523,159	1,799	-	33,093	558,051
Health and welfare	276,799	-	-	-	276,799
Capital outlay	21,656	524,513	-	419,194	965,363
Debt service:					
Principal	-	-	1,032,264	175,337	1,207,601
Interest	-	-	38,879	-	38,879
Debt issuance costs	-	-	43,883	58,380	102,263
Total expenditures	4,503,979	526,312	1,115,794	1,435,777	7,581,862
Excess (deficiency) of revenues over expenditures	(1,580,047)	(1,799)	(823,058)	(200,588)	(2,605,492)
Other Financing Sources (Uses):					
Loan proceeds	-	-	2,958,802	33,611	2,992,413
Transfers in	1,934,057	2,420	-	230,885	2,167,362
Transfers (out)	(241,398)	-	(21,657)	(71,500)	(334,555)
Total other financing sources (uses)	1,692,659	2,420	2,937,145	192,996	4,825,220
Net change in fund balances	112,612	621	2,114,087	(7,592)	2,219,728
Fund balance, beginning of year	1,143,381	4,142	891,551	1,416,433	3,455,507
Fund balances, end of year	\$ 1,255,993	\$ 4,763	\$ 3,005,638	\$ 1,408,841	\$ 5,675,235

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, 2009

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

Net change in fund balances total governmental funds (page eight)	\$	2,219,728
Net change in net assets of internal service funds (page twelve)		8,530
Governmental funds report capital outlay as expenditures in the amount of \$965,363, 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 \$265,192. The net adjustment is \$700,171.		700,171
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.		(2,992,413)
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.		6,919
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.		(32,818)
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.		1,207,601
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		22,518
Increase in the compensated absences liability is reflected as an increase of expenses within the statement of activities while the increase of the expense does not provide a current financial resource and is not recorded in the governmental funds statement.		<u>(5,978)</u>
Net change in net assets - government-wide financial statements (page five)	\$	<u><u>1,134,258</u></u>

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, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 1,191,718	\$ 1,145,662	\$ 1,120,515	\$ (25,147)
State shared taxes	1,454,500	1,351,500	1,303,884	(47,616)
Intergovernmental	238,218	366,376	294,687	(71,689)
Charges for services	57,716	65,148	64,747	(401)
Licenses and permits	32,700	35,063	35,063	-
Fines and forfeitures	20,220	9,762	9,772	10
Interest	1,908	1,058	1,057	(1)
Miscellaneous	2,489	16,978	17,141	163
Total revenues	2,999,469	2,991,547	2,846,866	(144,681)
Expenditures:				
Current:				
General government	1,560,346	1,596,108	1,437,378	158,730
Public safety	1,273,481	1,266,149	1,150,354	115,795
Public works	1,088,414	1,075,430	1,009,685	65,745
Culture and recreation	544,491	544,293	511,787	32,506
Health and welfare	262,000	288,972	288,972	-
Capital outlay	182,148	221,325	98,992	122,333
Total expenditures	4,910,880	4,992,277	4,497,168	495,109
Excess (deficiency) of revenues over expenditures	(1,911,411)	(2,000,730)	(1,650,302)	350,428
Other Financing Sources (Uses):				
Transfers in	1,847,400	2,006,900	1,934,057	(72,843)
Transfers (out)	(190,628)	(320,398)	(241,398)	79,000
Total other financing sources (uses)	1,656,772	1,686,502	1,692,659	6,157
Net change in cash balance	(254,639)	(314,228)	42,357	356,585
Cash balance, beginning of year	783,906	783,906	783,906	-
Cash from restricted investments	-	-	955	955
Cash balance, end of year	\$ 529,267	\$ 469,678	\$ 827,218	\$ 357,540

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, 2009

	Joint Utility Fund	Airport Fund	Solid Waste Fund	Total Non-Major Funds	Total	Internal Service Funds
Assets:						
Current assets:						
Cash	\$ 1,269,042	\$ 62,337	\$ 386,788	\$ 72,087	\$ 1,790,254	\$ 61,607
Receivables (net of allowance):						
Accounts	920,952	-	-	-	920,952	-
Taxes	-	-	11,924	-	11,924	-
Inventory	864,614	-	-	-	864,614	91,571
Restricted assets:						
Cash	1,650,246	-	-	-	1,650,246	-
Investments	28,035	-	-	-	28,035	-
Non-Current assets:						
Land	925,042	-	54,783	732,581	1,712,406	-
Buildings and improvements	441,196	498,369	492,967	313,844	1,746,376	-
Infrastructure	-	2,393,183	-	53,205	2,446,388	-
Utility system and facilities	6,286,424	-	-	-	6,286,424	-
Equipment	2,140,563	32,073	1,201,799	149,403	3,523,838	-
Vehicles	741,984	36,740	803,363	-	1,582,087	-
Less accumulated depreciation	<u>(6,938,093)</u>	<u>(429,235)</u>	<u>(1,771,133)</u>	<u>(432,038)</u>	<u>(9,570,499)</u>	<u>-</u>
Total capital assets, net	<u>3,597,116</u>	<u>2,531,130</u>	<u>781,779</u>	<u>816,995</u>	<u>7,727,020</u>	<u>-</u>
Total assets	8,330,005	2,593,467	1,180,491	889,082	12,993,045	153,178
Liabilities:						
Current liabilities:						
Accounts payable	337,217	1,017	7,186	2,407	347,827	-
Accrued salaries	39,587	2,229	-	-	41,816	-
Accrued interest payable	54,491	-	-	-	54,491	-
Customer deposits	126,022	-	-	-	126,022	-
Current maturities of:						
Bonds payable	30,000	-	-	-	30,000	-
Leases payable	-	-	64,363	-	64,363	-
Notes payable	138,360	-	-	-	138,360	-
Compensated absences	<u>37,328</u>	<u>1,923</u>	<u>-</u>	<u>-</u>	<u>39,251</u>	<u>-</u>
Total current liabilities	763,005	5,169	71,549	2,407	842,130	-
Non-Current liabilities:						
Bonds payable	1,597,575	-	-	-	1,597,575	-
Leases payable	-	-	276,214	-	276,214	-
Notes payable	1,718,065	-	-	-	1,718,065	-
Compensated absences	46,110	3,535	-	-	49,645	-
Landfill closure and post-closure	<u>-</u>	<u>-</u>	<u>369,617</u>	<u>-</u>	<u>369,617</u>	<u>-</u>
Total non-current liabilities	<u>3,361,750</u>	<u>3,535</u>	<u>645,831</u>	<u>-</u>	<u>4,011,116</u>	<u>-</u>
Total liabilities	<u>4,124,755</u>	<u>8,704</u>	<u>717,380</u>	<u>2,407</u>	<u>4,853,246</u>	<u>-</u>
Net Assets:						
Invested in capital assets, net of related debt	113,116	2,531,130	441,202	816,995	3,902,443	-
Unrestricted	<u>4,092,134</u>	<u>53,633</u>	<u>21,909</u>	<u>69,680</u>	<u>4,237,356</u>	<u>153,178</u>
Total net assets	<u>\$ 4,205,250</u>	<u>\$ 2,584,763</u>	<u>\$ 463,111</u>	<u>\$ 886,675</u>	<u>\$ 8,139,799</u>	<u>\$ 153,178</u>

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, 2009

	Joint Utility Fund	Airport Fund	Solid Waste Fund	Total Non-Major Funds	Total	Internal Service Funds
Operating Revenues:						
Charges for services	\$ 8,448,010	\$ 220,048	\$ -	\$ 23,639	\$ 8,691,697	\$ 235,538
Operating Expenses:						
Personnel services	1,560,337	83,575	-	-	1,643,912	-
General operating	4,722,796	221,621	213,924	51,085	5,209,426	227,008
Depreciation	151,376	88,185	139,018	9,086	387,665	-
Amortization	1,969	-	-	-	1,969	-
Total operating expenses	<u>6,436,478</u>	<u>393,381</u>	<u>352,942</u>	<u>60,171</u>	<u>7,242,972</u>	<u>227,008</u>
Operating income (loss)	2,011,532	(173,333)	(352,942)	(36,532)	1,448,725	8,530
Non-Operating Revenues (Expenses):						
State shared taxes	454,171	5,945	66,179	541	526,836	-
Intergovernmental	26,817	-	-	-	26,817	-
Insurance proceeds	-	-	-	-	-	-
Interest income	16,505	97	12,101	97	28,800	-
Interest expense	(127,111)	-	(16,134)	-	(143,245)	-
Total non-operating revenues (expenses)	<u>370,382</u>	<u>6,042</u>	<u>62,146</u>	<u>638</u>	<u>439,208</u>	<u>-</u>
Income (Loss) before transfers	2,381,914	(167,291)	(290,796)	(35,894)	1,887,933	8,530
Transfers:						
Transfers in	-	77,000	-	50,000	127,000	-
Transfers (out)	(1,959,807)	-	-	-	(1,959,807)	-
Total transfers	<u>(1,959,807)</u>	<u>77,000</u>	<u>-</u>	<u>50,000</u>	<u>(1,832,807)</u>	<u>-</u>
Change in net assets	422,107	(90,291)	(290,796)	14,106	55,126	8,530
Net assets, beginning of year	3,588,013	2,675,054	949,037	872,569	8,084,673	144,648
Restatements	195,130	-	(195,130)	-	-	-
Net assets, beginning of year restated	<u>3,783,143</u>	<u>2,675,054</u>	<u>753,907</u>	<u>872,569</u>	<u>8,084,673</u>	<u>144,648</u>
Net assets, end of year	<u>\$ 4,205,250</u>	<u>\$ 2,584,763</u>	<u>\$ 463,111</u>	<u>\$ 886,675</u>	<u>\$ 8,139,799</u>	<u>\$ 153,178</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 FUNDS
JUNE 30, 2009

	Joint Utility Fund	Airport Fund	Solid Waste Fund	Total Non-Major Fund	Total	Internal Service Funds
Cash Flows From Operating Activities:						
Cash received from customers	\$ 8,353,587	\$ 219,938	\$ -	\$ 23,639	\$ 8,597,164	\$ 235,538
Cash payments to suppliers for goods and services	(4,580,681)	(221,941)	-	(51,811)	(4,854,433)	(216,570)
Cash payments to employees for services	(1,561,084)	(82,967)	(34,041)	-	(1,678,092)	-
Net cash provided (used) by operating activities	2,211,822	(84,970)	(34,041)	(28,172)	2,064,639	18,968
Cash Flows From Non-Capital and Related Financing Activities:						
Cash received from state shared taxes	454,171	5,945	64,389	-	524,505	-
Cash received from intergovernmental sources	26,817	-	-	541	27,358	-
Net change in customer deposits	22,212	-	-	-	22,212	-
Net transfers in (out)	(1,959,807)	77,000	-	50,000	(1,832,807)	-
Net cash provided (used) by non-capital and related financing activities	(1,456,607)	82,945	64,389	50,541	(1,258,732)	-
Cash Flows From Capital and Related Financing Activities:						
Acquisition of capital assets	(24,016)	-	-	(48,574)	(72,590)	-
Principal payments on capital debt	(164,141)	-	(64,767)	-	(228,908)	-
Interest paid on capital debt	(127,111)	-	(16,134)	-	(143,245)	-
Net cash (used) by capital and related financing activities	(315,268)	-	(80,901)	(48,574)	(444,743)	-
Cash Flows From Investing Activities:						
Interest income	5,592	97	1,945	97	7,731	-
Net increase (decrease) in cash	445,539	(1,928)	(48,608)	(26,108)	368,895	18,968
Cash and cash equivalents, beginning of year	2,152,567	64,265	125,983	98,195	2,441,010	42,639
Cash and cash equivalents, end of year	\$ 2,598,106	\$ 62,337	\$ 77,375	\$ 72,087	\$ 2,809,905	\$ 61,607
Displayed as:						
Cash	\$ 1,269,042	\$ 62,337	\$ 386,788	\$ 72,087	\$ 1,790,254	\$ 61,607
Restricted cash	1,650,246	-	-	-	1,650,246	-
Time deposits not considered cash equivalents	(321,182)	-	(309,413)	-	(630,595)	-
	\$ 2,598,106	\$ 62,337	\$ 77,375	\$ 72,087	\$ 2,809,905	\$ 61,607
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:						
Operating income (loss)	\$ 2,011,532	\$ (173,333)	\$ (352,942)	\$ (36,532)	\$ 1,448,725	\$ 8,530
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	151,376	88,185	139,018	9,086	387,665	-
Amortization	1,969	-	-	-	1,969	-
Changes in Assets and Liabilities:						
(Increase) decrease in accounts receivable	(116,635)	-	-	-	(116,635)	-
(Increase) decrease in taxes receivable	-	-	(1,790)	-	(1,790)	-
(Increase) decrease in inventories	136,317	-	-	-	136,317	10,438
Increase (decrease) in accounts payable	28,010	(320)	7,186	(726)	34,150	-
Increase (decrease) in accrued salaries	186	(69)	-	-	117	-
Increase (decrease) in compensated absences	(933)	677	-	-	(256)	-
Increase (decrease) in landfill closure payable	-	-	174,487	-	174,487	-
Increase (decrease) in deferred revenues	-	(110)	-	-	(110)	-
Total adjustments	200,290	88,363	318,901	8,360	615,914	10,438
Net cash provided (used) by operating activities	\$ 2,211,822	\$ (84,970)	\$ (34,041)	\$ (28,172)	\$ 2,064,639	\$ 18,968

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, 2009

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, 2009

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, 2009.

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, Veteran's Wall 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, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The joint utility, solid waste, 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, 2009

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, 2009

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 *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 *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; eleven are classified as special revenue funds, and seven 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, 2009

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 *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 *federal seizures share 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.

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.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Projects Funds (continued)

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

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

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, 2009

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, 2009

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, 2009**

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:

Assets	Years
Buildings and other improvements	20-45
Utility system	33
Public domain infrastructure	40
Machinery and equipment, including vehicles	3-20

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, 2009

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, 2009

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, 2009

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, 2009, 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, 2009

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	3,746,375	(111,360)	3,635,015
Compass Bank	<u>2,477,508</u>	<u>(1,086)</u>	<u>2,476,422</u>
Total cash deposits	<u>\$ 6,223,883</u>	<u>\$ (111,385)</u>	<u>\$ 6,112,498</u>

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

Statement of Net Assets:	
Cash	\$ 4,090,956
Restricted cash	<u>2,021,542</u>
	<u>\$ 6,112,498</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, 2009**

2. CASH AND INVESTMENTS (continued)

Cash Deposited With Financial Institutions (continued)

	<u>Bank of the Southwest</u>	<u>Compass Bank</u>
Checking accounts	\$ 3,505,354	\$ 65,160
Saving accounts	241,017	1,001,890
Certificate of deposit	-	1,410,458
	<u>3,746,371</u>	<u>2,477,508</u>
Total deposits		
FDIC coverage	<u>(3,755,354)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>\$ (8,983)</u>	<u>\$ 1,977,508</u>
Pledged securities	\$ 169,636	\$ 2,313,505
Collateral requirement (50% of uninsured public funds)	<u>-</u>	<u>988,754</u>
Over (under) collateralization	<u>\$ 169,636</u>	<u>\$ 1,324,751</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 \$250,000 in aggregate and separate from the \$250,000 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, 2009, \$1,977,508 of the City's bank balance of \$6,223,879 was exposed to custodial credit risk as follows:

	<u>Bank of the Southwest</u>	<u>Compass Bank</u>
Uninsured and collateral held by pledging banks' trust dept. or agent not in the City's name.	<u>\$ -</u>	<u>\$ 1,977,508</u>

Investments

Investments at June 30, 2009 were as follows:

<u>Agency</u>	<u>Investment</u>	<u>Maturity</u>	<u>Fair Market Value</u>
NM State Treasurer	Investment Pool	N/A	\$ 151,727
Bank of Albuquerque, N.A.	U.S. Treasury Fund	N/A	<u>2,398,108</u>
			<u>\$ 2,549,835</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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>\$ 2,549,835</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, 2009, the combined balance of the City's investment within the short-term investment fund was \$151,727. The cost basis and the fair market basis of the deposit are equal to \$151,727 (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 30 day net yield at June 30, 2009, was .267%.

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 43-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, 2009

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 \$631,550 at the Bank of Albuquerque, N.A., Trust Department, Albuquerque, New Mexico. Additionally, the City has invested \$1,766,558 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, 2009, reflected by the trust department is \$2,398,108. The fund is not subject to categorization.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 consisted of the following:

	Governmental Activities	Business-Type Activities
Charges for services	\$ -	\$ 995,292
Less allowance for doubtful accounts	-	(74,340)
	<u>\$ -</u>	<u>\$ 920,952</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, 2009, consisted of the following:

	Governmental Activities	Business-Type Activities
Property taxes	\$ 22,240	\$ -
Local effort sales taxes	32,125	-
State shared taxes	509,201	11,924
Less allowance for doubtful accounts	-	-
Net taxes receivable	<u>\$ 563,566</u>	<u>\$ 11,924</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

5. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments at June 30, 2009, consisted of the following:

	Governmental Activities	Business-Type Activities
Federal grants	\$ 3,083	\$ -
State grants	395,074	-
Total	\$ 398,157	\$ -

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 2008, was \$2.225 per \$1,000 for non-residential and \$1.444 for residential property. In the year 2008, there was no tax rate established for payment of bonds principal and interest.

7. CAPITAL ASSETS

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,718,680	\$ -	\$ -	\$ 4,718,680
Construction in progress	348,484	524,514	(329,073)	543,925
Total capital assets, not being depreciated	5,067,164	524,514	(329,073)	5,262,605

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7. CAPITAL ASSETS (continued)

Capital assets for the fiscal year ended June 30, 2009, are as follows:

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Other capital assets, being depreciated:				
Buildings and building improvement	7,244,140	7,321	-	7,251,461
Infrastructure	921,898	574,625	-	1,496,523
Equipment	1,961,702	121,112	-	2,082,814
Automobiles and trucks	1,325,857	66,864	-	1,392,721
Total other capital assets, being depreciated	11,453,597	769,922	-	12,223,519
Less accumulated depreciation:				
Buildings and building improvement	(5,995,510)	(51,921)	-	(6,047,431)
Infrastructure	(23,047)	(28,013)	-	(51,060)
Equipment	(1,198,162)	(131,250)	-	(1,329,412)
Automobiles and trucks	(1,161,870)	(54,008)	-	(1,215,878)
Total accumulated depreciation	(8,378,589)	(265,192)	-	(8,643,781)
Other capital assets, net	3,075,008	504,730	-	3,579,738
Total capital assets, net	\$ 8,142,172	\$ 1,029,244	\$ (329,073)	\$ 8,842,343

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

General government	\$ 41,720
Public safety	76,866
Public works	60,762
Culture and recreation	7,295
Health and welfare	78,549
	<u>\$ 265,192</u>

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Total Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,712,406	\$ -	\$ -	\$ 1,712,406
Other capital assets, being depreciated:				
Building and building improvements	1,740,802	5,574	-	1,746,376
Utility plant	6,262,408	24,016	-	6,286,424
Golf course infrastructure	10,205	43,000	-	53,205
Airport infrastructure	2,393,183	-	-	2,393,183
Equipment	3,368,564	155,274	-	3,523,838
Automobiles and trucks	1,582,087	-	-	1,582,087
Total other capital assets, being depreciated	15,357,249	227,864	-	15,585,113

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

7. CAPITAL ASSETS (continued)

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Less accumulated depreciation:				
Building and building improvements	(1,120,130)	(25,641)	-	(1,145,771)
Utility plant	(3,842,230)	(85,852)	-	(3,928,082)
Airport infrastructure	(49,858)	(69,906)	-	(119,764)
Equipment	(2,772,108)	(145,240)	-	(2,917,348)
Automobiles and trucks	(1,398,508)	(61,026)	-	(1,459,534)
Total accumulated depreciation	<u>(9,182,834)</u>	<u>(387,665)</u>	<u>-</u>	<u>(9,570,499)</u>
Other capital assets, net	<u>6,174,415</u>	<u>(159,801)</u>	<u>-</u>	<u>6,014,614</u>
Total capital assets, net	<u>\$ 7,886,821</u>	<u>\$ (159,801)</u>	<u>\$ -</u>	<u>\$ 7,727,020</u>

8. LONG-TERM OBLIGATIONS

Governmental Activities

Changes in governmental activities obligations during the year ended June 30, 2009, were as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Due Within One Year
Governmental Activities:					
Notes payable	\$ 1,725,363	\$ 2,958,802	\$ (101,302)	\$ 4,582,863	\$ 246,017
Bonds payable	1,020,000	-	(1,020,000)	-	-
Lease purchase payable	253,925	33,611	(86,299)	201,237	81,818
Compensated absences	109,982	154,551	(148,573)	115,960	66,959
	<u>\$ 3,109,270</u>	<u>\$ 3,146,964</u>	<u>\$ (1,356,174)</u>	<u>\$ 4,900,060</u>	<u>\$ 394,794</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, 2009, including interest payments, are as follows:

Due in year ending June 30:

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Governmental Activities (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	76,977	46,487	123,464
2015-2019	436,957	183,553	620,510
2020-2024	532,366	79,123	611,489
	<u>\$ 1,327,032</u>	<u>\$ 520,439</u>	<u>\$ 1,847,471</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, 2009, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	12,853	1,855	14,708
2015-2019	66,423	7,615	74,038
2020-2024	70,638	4,260	74,898
2025-2026	29,655	559	30,214
	<u>\$ 229,749</u>	<u>\$ 22,626</u>	<u>\$ 252,375</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, 2009, including interest payments, is as follows:

Due in year ending June 30:

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Governmental Activities (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 22,118	\$ 781	\$ 22,899
2011	22,423	532	22,955
2012	22,739	273	23,012
	<u>\$ 67,280</u>	<u>\$ 1,586</u>	<u>\$ 68,866</u>

On January 23, 2009, the City borrowed \$2,958,802 from the New Mexico Finance Authority. The note matures on May 1, 2029, and accrues interest at 4.342% per annum. The proceeds of the loan were used for the refinancing of the 1996 Improvement Bonds and for improvements at existing municipal buildings and recreation facilities. The payments of principal and interest are paid from pledged state shared gross receipts tax revenues.

The annual requirements to amortize the loan outstanding as of June 30, 2009, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 145,000	\$ 163,634	\$ 308,634
2011	150,833	111,708	262,541
2012	155,000	108,131	263,131
2013	155,000	104,060	259,060
2014	155,833	99,493	255,326
2015-2019	673,904	422,509	1,096,413
2020-2024	695,485	296,727	992,212
2025-2029	827,747	120,804	948,551
	<u>\$ 2,958,802</u>	<u>\$ 1,427,066</u>	<u>\$ 4,385,868</u>

Lease Purchases Payable – Governmental Activities

The lease purchases payable are composed of the following:

5.12% lease purchase payable for purchase of street sweeper, due in quarterly payments of \$7,469, including interest, through January 2010, payable to Bank of America.	\$ 21,846
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.	52,866
0% lease purchase payable for purchase of a tractor with loader, due in monthly payment of \$1,379 through September 2011, payable to John Deere Credit.	38,253

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Governmental Activities (continued)

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.	15,862
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.	50,066
0% lease purchase payable for purchase of a dictaphone, due in annual payments of \$11,172, through December 2010, payable to Fleetwood Financial.	<u>22,344</u>
	201,237
Less current portion	<u>(81,818)</u>
	<u><u>\$ 119,419</u></u>

The annual requirement to amortize the lease purchase payable as of June 30, 2009, interest payments are as follows:

Due in the year ending June 30th:

	Principal	Interest	Total
2010	\$ 81,817	\$ 6,073	\$ 87,890
2011	61,689	3,792	65,481
2012	49,643	1,922	51,565
2013	<u>8,088</u>	<u>110</u>	<u>8,198</u>
	<u><u>\$ 201,237</u></u>	<u><u>\$ 11,897</u></u>	<u><u>\$ 213,134</u></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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2009, were as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Due Within One Year
Business-Type Activities:					
Notes payable	\$ 1,991,209	\$ -	\$ (134,784)	\$ 1,856,425	\$ 138,360
Bonds payable	1,656,575	-	(29,000)	1,627,575	30,000
Lease purchase payable	250,070	155,274	(64,767)	340,577	64,363
Landfill closure	195,130	174,487	-	369,617	-
Compensated absences	89,152	91,830	(92,086)	88,896	39,251
	<u>\$ 4,182,136</u>	<u>\$ 421,591</u>	<u>\$ (320,637)</u>	<u>\$ 4,283,090</u>	<u>\$ 271,974</u>

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, 2009, including interest payments is as follows:

	Principal	Interest	Total
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	98,306	19,779	118,085
2015-2019	530,162	64,171	594,333
2020-2021	231,558	8,129	239,687
	<u>\$ 1,229,886</u>	<u>\$ 192,161</u>	<u>\$ 1,422,047</u>

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, 2009, including interest payments, is as follows:

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Business-Type Activities (continued)

	Principal	Interest	Total
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	29,460	4,692	34,152
2015-2018	126,949	9,662	136,611
	<u>\$ 265,915</u>	<u>\$ 41,457</u>	<u>\$ 307,372</u>

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.

The annual requirement to amortize the loan outstanding as of June 30, 2009, including interest payments, is as follows:

Due in year ending June 30th:

	Principal	Interest	Total
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	25,989	7,921	33,910
2015-2019	142,116	27,430	169,546
2020-2022	95,916	5,812	101,728
	<u>\$ 360,624</u>	<u>\$ 80,198</u>	<u>\$ 440,822</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, 2009, including interest payments, is as follows:

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – Business-Type Activities (continued)

Due in year ending June 30th:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,000	11,119	16,119
2015-2019	30,000	51,745	81,745
2020-2024	38,000	43,813	81,813
2025-2029	48,000	33,838	81,838
2030-2034	60,000	21,440	81,440
2035-2038	53,075	6,047	59,122
	<u>\$ 253,075</u>	<u>\$ 214,804</u>	<u>\$ 467,879</u>

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, 2009, including interest payments, is as follows:

Due in year ending June 30th:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	19,000	33,840	52,840
2015-2019	110,000	155,475	265,475
2020-2024	137,000	128,430	265,430
2025-2029	171,000	94,635	265,635
2030-2034	213,000	52,470	265,470
2035-2036	102,000	6,975	108,975
	<u>\$ 821,000</u>	<u>\$ 615,105</u>	<u>\$ 1,436,105</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – Business-Type Activities (continued)

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, 2009, including interest payments, is as follows:

Due in year ending June 30th:

	Principal	Interest	Total
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	12,000	22,928	34,928
2015-2019	70,000	105,908	175,908
2020-2024	87,000	88,673	175,673
2025-2029	110,000	67,163	177,163
2030-2034	136,000	40,163	176,163
2035-2037	94,500	8,528	103,028
	\$ 553,500	\$ 430,160	\$ 983,660

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 payments of \$3,833, including interest, through February 2013, and a final payment of \$77,000, payable to John Deere Credit.	\$ 216,395
6.201% lease purchase payable for purchase of a side loader refuse truck, due in annual payments of \$34,899, including interest, through July 2012, payable to Kansas State Bank.	124,182
	340,577
Less current portion	(64,363)
	\$ 276,214

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM OBLIGATIONS (continued)

Lease Purchase Payable – Business-Type Activities (continued)

The annual requirement to amortize the lease purchases payable as of June 30, 2009, interest payments is as follows:

	Principal	Interest	Total
2010	\$ 64,363	\$ 16,538	\$ 80,901
2011	67,672	13,229	80,901
2012	71,151	9,749	80,900
2013	137,391	5,176	142,567
	\$ 340,577	\$ 44,692	\$ 385,269

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 ninety percent of the landfill capacity has been used at June 30, 2009. The total estimated liability for landfill closure costs is \$369,617 as of June 30, 2009, 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 \$41,068 of post-closure costs will be recognized over thirty years after the landfill is closed.

The estimated total current cost of the landfill closure and post-closure care of \$410,685 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, 2009. 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 Division to demonstrate financial assurance for the post-closure costs. The City may elect to utilize the Local Government financial test mechanism for closure/post closure financial assurance; and the City is working with NMED Solid Waste Bureau to address this issue.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. TAXES

Local effort and state shared tax revenues as of June 30, 2009:

	General Fund	Total Non-Major Funds	Total Governmental Funds
Local effort taxes:			
Franchise taxes	\$ 63,081	\$ -	\$ 63,081
Gross receipts taxes	932,200	265,151	1,197,351
Lodgers' taxes	-	159,909	159,909
Property taxes	134,720	-	134,720
	<u>\$ 1,130,001</u>	<u>\$ 425,060</u>	<u>\$ 1,555,061</u>

	General Fund	Debt Service Fund	Total Non-Major Funds	Total Governmental Funds
State shared taxes:				
Cigarette taxes	\$ 12,177	\$ -	\$ 6,112	\$ 18,289
Gasoline taxes	25,351	-	78,392	103,743
Gross receipts taxes	1,304,444	264,732	-	1,569,176
	<u>\$ 1,341,972</u>	<u>\$ 264,732</u>	<u>\$ 84,504</u>	<u>\$ 1,691,208</u>

10. INTERFUND TRANSFERS

	Transfer In				
	General Fund	Veteran's Wall Fund	Non-Major Fund	Joint Utility Fund	Total
Transfers (out):					
General fund	\$ -	\$ 2,420	\$ 111,978	\$ 127,000	\$ 241,398
Debt service fund	21,657	-	-	-	21,657
Joint utility fund	1,840,900	-	118,907	-	1,959,807
Non-major funds	71,500	-	-	-	71,500
	<u>\$ 1,934,057</u>	<u>\$ 2,420</u>	<u>\$ 230,885</u>	<u>\$ 127,000</u>	<u>\$ 2,294,362</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.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

11. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2009, 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:

	Individual Funds
Joint Utility Fund:	
Restated business activities landfill closure and post-closure liability moved to solid waste fund.	\$ 195,130
Solid Waste Fund:	
Restated business activities landfill closure and post-closure liability moved from joint utility fund.	(195,130)
	\$ -

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.

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriations" for the budgetary comparison schedule.	\$ 2,846,866
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 reporting purposes.	58,334
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.	18,732
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 2,923,932

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

12. BUDGET RECONCILIATION (continued)

	<u>General Fund</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 4,497,168
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.	7,934
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.	(1,123)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 4,503,979
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison schedule.	\$ 1,692,659
Differences - Budget to GAAP:	
None.	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 1,692,659

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.

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.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

13. RETIREMENT PLAN (continued)

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, 2009, 2008, and 2007 were \$316,527, \$293,100 and \$282,100, 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. 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.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

14. POST-EMPLOYMENT BENEFITS (continued)

Funding Policy (continued)

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, 2009, 2008 and 2007 were \$40,532, \$37,951 and \$35,556, 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. 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.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

16. CONTINGENT BENEFITS (continued)

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, 2009

	Special Revenue Funds									
	Fire Protection Fund	Recreation Fund	Correction Fees Fund	Law Enforcement Protection Fund	Lodger's Tax Fund	Municipal Streets Fund	DWI Grant Fund	State Library Fund	Veteran's Wall Perpetual Care Fund	CDBG Fund
ASSETS										
Cash	\$ 65,756	\$ 37,308	\$ 9,063	\$ 2,253	\$ 94,557	\$ 90,565	\$ 81,968	\$ 30,390	\$ 11,054	\$ 1,301
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Taxes receivable	-	294	-	-	15,359	14,190	-	-	-	-
Intergovernmental receivable	-	-	-	-	12,984	-	25,626	-	-	-
Restricted:										
Investments	230	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 65,986</u>	<u>\$ 37,602</u>	<u>\$ 9,063</u>	<u>\$ 2,253</u>	<u>\$ 122,900</u>	<u>\$ 104,755</u>	<u>\$ 107,594</u>	<u>\$ 30,390</u>	<u>\$ 11,054</u>	<u>\$ 1,301</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 589	\$ -	\$ 1,183	\$ -	\$ -	\$ -	\$ 559	\$ -	\$ -	\$ -
Accrued salaries	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Interfund balance	-	-	-	-	-	-	-	-	-	-
Total liabilities	589	-	1,183	-	-	-	559	-	-	-
Fund Balances:										
Reserved:										
Subsequent year's expenditures	65,167	15,060	500	271	4,853	-	6,031	-	-	-
Unreserved	230	22,542	7,380	1,982	118,047	104,755	101,004	30,390	11,054	1,301
Total fund balances	<u>65,397</u>	<u>37,602</u>	<u>7,880</u>	<u>2,253</u>	<u>122,900</u>	<u>104,755</u>	<u>107,035</u>	<u>30,390</u>	<u>11,054</u>	<u>1,301</u>
Total liabilities and fund balances	<u>\$ 65,986</u>	<u>\$ 37,602</u>	<u>\$ 9,063</u>	<u>\$ 2,253</u>	<u>\$ 122,900</u>	<u>\$ 104,755</u>	<u>\$ 107,594</u>	<u>\$ 30,390</u>	<u>\$ 11,054</u>	<u>\$ 1,301</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, 2009**

			Capital Projects Funds						
	Federal Seizures Share 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	FAA Project Fund
<u>ASSETS</u>									
Cash	\$ 9,285	\$ 433,500	\$ 10,150	\$ 234,724	\$ 12,435	\$ 6,092	\$ 12,306	\$ 59,007	\$ 21,383
Accounts receivable	-	-	-	-	-	-	-	-	-
Taxes receivable	-	29,843	-	-	-	-	-	-	-
Intergovernmental receivable	-	38,610	-	-	2,374	-	12,269	-	3,164
Restricted:									
Investments	-	230	535,085	-	-	-	-	-	-
Total assets	<u>\$ 9,285</u>	<u>\$ 502,183</u>	<u>\$ 545,235</u>	<u>\$ 234,724</u>	<u>\$ 14,809</u>	<u>\$ 6,092</u>	<u>\$ 24,575</u>	<u>\$ 59,007</u>	<u>\$ 24,547</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ -	\$ 2,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-
Interfund balance	-	-	-	-	-	-	-	-	-
Total liabilities	-	2,331	-	-	-	-	-	-	-
Fund Balances:									
Reserved:									
Subsequent year's expenditures	8,875	101,299	-	227,050	-	-	-	-	-
Unreserved	410	398,553	545,235	7,674	14,809	6,092	24,575	59,007	24,547
Total fund balances	<u>9,285</u>	<u>499,852</u>	<u>545,235</u>	<u>234,724</u>	<u>14,809</u>	<u>6,092</u>	<u>24,575</u>	<u>59,007</u>	<u>24,547</u>
Total liabilities and fund balances	<u>\$ 9,285</u>	<u>\$ 502,183</u>	<u>\$ 545,235</u>	<u>\$ 234,724</u>	<u>\$ 14,809</u>	<u>\$ 6,092</u>	<u>\$ 24,575</u>	<u>\$ 59,007</u>	<u>\$ 24,547</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, 2009**

	Total Capital Project Funds	Total Non-Major Funds
<u>ASSETS</u>		
Cash	\$ 356,097	\$ 789,597
Accounts receivable	-	-
Taxes receivable	-	29,843
Intergovernmental receivable	17,807	56,417
Restricted:		
Investments	535,085	535,315
Total assets	\$ 908,989	\$ 1,411,172
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ -	\$ 2,331
Accrued salaries	-	-
Accrued interest payable	-	-
Interfund balance	-	-
Total liabilities	-	2,331
Fund Balances:		
Reserved:		
Subsequent year's expenditures	227,050	328,349
Unreserved	681,939	1,080,492
Total fund balances	908,989	1,408,841
Total liabilities and fund balances	\$ 908,989	\$ 1,411,172

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, 2009

	Special Revenue Funds									
	Fire Protection Fund	Recreation Fund	Correction Fees Fund	Law Enforcement Protection Fund	Lodger's Tax Fund	Municipal Streets Fund	DWI Grant Fund	State Library Fund	Veteran's Wall Perpetual Care Fund	CDBG Fund
Revenues:										
Local effort taxes	\$ -	\$ 419	\$ -	\$ -	\$ 159,909	\$ 264,732	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	6,112	-	-	-	78,392	-	-	-	-
Intergovernmental	91,990	-	-	26,600	34,098	56,000	153,016	17,184	-	-
Charges for services	-	8,588	4,986	-	-	-	9,390	10,560	1,550	-
Interest	400	59	-	-	214	98	-	-	-	-
Miscellaneous	2,700	72	-	-	310	-	-	1,979	-	-
Total revenues	95,090	15,250	4,986	26,600	194,531	399,222	162,406	29,723	1,550	-
Expenditures:										
Current:										
General government	-	-	-	-	158,061	-	-	-	-	-
Public safety	61,650	-	9,192	329	-	-	174,132	-	-	-
Public works	-	-	-	-	-	266,046	-	-	-	-
Culture and recreation	-	9,930	-	-	-	-	-	20,537	180	-
Capital outlay	-	-	-	26,000	13,317	41,999	-	-	-	-
Debt service:										
Principal	21,824	-	-	-	33,577	41,455	-	-	-	-
Interest	1,019	-	-	-	4,337	4,818	-	-	-	-
Total expenditures	84,493	9,930	9,192	26,329	209,292	354,318	174,132	20,537	180	-
Excess (deficiency) of revenues over expenditures	10,597	5,320	(4,206)	271	(14,761)	44,904	(11,726)	9,186	1,370	-
Other Financing Sources (Uses):										
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	40,000	-	-	-	-
Transfers (out)	-	-	-	-	-	(40,000)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	10,597	5,320	(4,206)	271	(14,761)	44,904	(11,726)	9,186	1,370	-
Fund balances, beginning of year	54,800	32,282	12,086	1,982	137,661	59,851	118,761	21,204	9,684	1,301
Fund balances, end of year	\$ 65,397	\$ 37,602	\$ 7,880	\$ 2,253	\$ 122,900	\$ 104,755	\$ 107,035	\$ 30,390	\$ 11,054	\$ 1,301

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, 2009

Capital Projects Funds

	Federal Seizures Share 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	FAA Project Fund
Revenues:									
Local effort taxes	\$ -	\$ 425,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	84,504	-	-	-	-	-	-	-
Intergovernmental	-	378,888	-	200,574	43,238	-	-	-	57,494
Charges for services	-	35,074	-	-	-	-	-	-	-
Interest	58	829	4,452	-	-	15	-	-	-
Miscellaneous	-	5,061	-	-	-	-	-	-	-
Total revenues	58	929,416	4,452	200,574	43,238	15	-	-	57,494
Expenditures:									
Current:									
General government	-	158,061	-	-	-	-	-	-	-
Public safety	5,722	251,025	-	-	-	-	-	-	-
Public works	-	266,046	3,486	-	-	15,432	-	-	55,723
Culture and recreation	-	30,647	-	-	2,446	-	-	-	-
Capital outlay	51,461	132,777	-	219,974	40,864	6,507	19,072	-	-
Debt service:									
Principal	11,267	108,123	67,214	-	-	-	-	-	-
Interest	-	10,174	48,206	-	-	-	-	-	-
Total expenditures	68,450	956,853	118,906	219,974	43,310	21,939	19,072	-	55,723
Excess (deficiency) of revenues over expenditures	(68,392)	(27,437)	(114,454)	(19,400)	(72)	(21,924)	(19,072)	-	1,771
Other Financing Sources (Uses):									
Loan proceeds	33,611	33,611	-	-	-	-	-	-	-
Transfers in	-	40,000	118,907	-	31,500	22,200	-	-	18,278
Transfers (out)	-	(40,000)	-	-	(31,500)	-	-	-	-
Total other financing sources (uses)	33,611	33,611	118,907	-	-	22,200	-	-	18,278
Net change in fund balances	(34,781)	6,174	4,453	(19,400)	(72)	276	(19,072)	-	20,049
Fund balances, beginning of year	44,066	493,678	540,782	254,124	14,881	5,816	43,647	59,007	4,498
Fund balances, end of year	<u>\$ 9,285</u>	<u>\$ 499,852</u>	<u>\$ 545,235</u>	<u>\$ 234,724</u>	<u>\$ 14,809</u>	<u>\$ 6,092</u>	<u>\$ 24,575</u>	<u>\$ 59,007</u>	<u>\$ 24,547</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, 2009

	Total Capital Projects Fund	Total Non-Major Funds
Revenues:		
Local effort taxes	\$ -	\$ 425,060
State shared taxes	-	84,504
Intergovernmental	301,306	680,194
Charges for services	-	35,074
Interest	4,467	5,296
Miscellaneous	-	5,061
	<hr/>	<hr/>
Total revenues	305,773	1,235,189
Expenditures:		
Current:		
General government	-	158,061
Public safety	-	251,025
Public works	74,641	340,687
Culture and recreation	2,446	33,093
Capital outlay	286,417	419,194
Debt service:		
Principal	67,214	175,337
Interest	48,206	58,380
	<hr/>	<hr/>
Total expenditures	478,924	1,435,777
Excess (deficiency) of revenues over expenditures	(173,151)	(200,588)
Other Financing Sources (Uses):		
Loan proceeds	-	33,611
Transfers in	190,885	230,885
Transfers (out)	(31,500)	(71,500)
	<hr/>	<hr/>
Total other financing sources (uses)	159,385	192,996
Net change in fund balances	(13,766)	(7,592)
Fund balances, beginning of year	<hr/> 922,755	<hr/> 1,416,433
Fund balances, end of year	<hr/> <u>\$ 908,989</u>	<hr/> <u>\$ 1,408,841</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
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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 94,140	\$ 91,990	\$ 91,990	\$ -
Interest income	424	424	171	(253)
Miscellaneous	-	2,700	2,700	-
Total revenues	94,564	95,114	94,861	(253)
Expenditures:				
Current:				
Public safety	60,889	60,889	36,760	24,129
Capital outlay	66,111	67,485	25,606	41,879
Debt service:				
Principal	21,824	21,824	21,824	-
Interest	1,019	195	194	1
Total expenditures	149,843	150,393	84,384	66,009
Net change in cash balance	(55,279)	(55,279)	10,477	65,756
Cash balance, beginning of year	55,279	55,279	55,279	-
Cash balance, end of year	\$ -	\$ -	\$ 65,756	\$ 65,756

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECREATION SPECIAL REVENUE 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, 2009

	<u>Original budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Local effort taxes	\$ 425	\$ 425	\$ 419	\$ (6)
State shared taxes	7,311	7,311	6,418	(893)
Charges for services	8,500	8,588	8,588	-
Miscellaneous	30	54	72	18
Interest income	120	59	59	-
Total revenues	<u>16,386</u>	<u>16,437</u>	<u>15,556</u>	<u>(881)</u>
Expenditures:				
Current:				
Culture and recreation	13,475	13,525	10,197	3,328
Capital outlay	<u>16,000</u>	<u>16,000</u>	<u>-</u>	<u>16,000</u>
Total expenditures	<u>29,475</u>	<u>29,525</u>	<u>10,197</u>	<u>19,328</u>
Net change in cash balance	(13,089)	(13,088)	5,359	18,447
Cash balance, beginning of year	<u>31,949</u>	<u>31,949</u>	<u>31,949</u>	<u>-</u>
Cash balance, end of year	<u>\$ 18,860</u>	<u>\$ 18,861</u>	<u>\$ 37,308</u>	<u>\$ 18,447</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
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, 2009

	<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	\$ 7,500	\$ 7,500	\$ 4,986	\$ (2,514)
Expenditures:				
Current:				
Public safety	<u>7,500</u>	<u>10,500</u>	<u>8,009</u>	<u>2,491</u>
Net change in cash balance	-	(3,000)	(3,023)	(23)
Cash balance, beginning of year	<u>12,068</u>	<u>12,086</u>	<u>12,086</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 12,068</u></u>	<u><u>\$ 9,086</u></u>	<u><u>\$ 9,063</u></u>	<u><u>\$ (23)</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
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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 26,600	\$ 26,600	\$ 26,600	\$ -
Expenditures:				
Capital outlay	<u>26,600</u>	<u>26,600</u>	<u>26,329</u>	<u>271</u>
Net change in cash balance	-	-	271	271
Cash balance, beginning of year	<u>1,982</u>	<u>1,982</u>	<u>1,982</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 1,982</u></u>	<u><u>\$ 1,982</u></u>	<u><u>\$ 2,253</u></u>	<u><u>\$ 271</u></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
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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 162,149	\$ 162,149	\$ 157,678	\$ (4,471)
Intergovernmental	23,900	38,050	25,014	(13,036)
Miscellaneous	500	500	310	(190)
Interest	400	400	214	(186)
	<u>186,949</u>	<u>201,099</u>	<u>183,216</u>	<u>(17,883)</u>
Total revenues				
Expenditures:				
Current:				
General government	144,660	162,713	149,256	13,457
Capital outlay	65,629	65,629	22,122	43,507
Debt service:				
Principal	-	-	33,577	(33,577)
Interest	-	-	4,337	(4,337)
	<u>210,289</u>	<u>228,342</u>	<u>209,292</u>	<u>19,050</u>
Total expenditures				
Net change in cash balance	(23,340)	(27,243)	(26,076)	1,167
Cash balance, beginning of year	<u>120,633</u>	<u>120,633</u>	<u>120,633</u>	<u>-</u>
Cash balance, end of year	<u>\$ 97,293</u>	<u>\$ 93,390</u>	<u>\$ 94,557</u>	<u>\$ 1,167</u>

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
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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 401,000	\$ 340,000	\$ 336,985	\$ (3,015)
Intergovernmental	65,000	56,000	56,000	-
Interest income	425	110	98	(12)
Total revenues	466,425	396,110	393,083	(3,027)
Expenditures:				
Current:				
Public works	143,541	143,541	134,933	8,608
Capital outlay	271,000	200,685	173,606	27,079
Debt service:				
Principal	41,456	41,456	41,455	1
Interest	4,819	4,819	4,818	1
Total expenditures	460,816	390,501	354,812	35,689
Excess (deficiency) of revenues over expenditures	5,609	5,609	38,271	32,662
Other Financing Sources (Uses):				
Transfers in	95,000	95,000	40,000	(55,000)
Transfers (out)	(95,000)	(95,000)	(40,000)	55,000
Total other financing sources (uses)	-	-	-	-
Net change in cash balance	5,609	5,609	38,271	32,662
Cash balance, beginning of year	52,294	52,294	52,294	-
Cash balance, end of year	\$ 57,903	\$ 57,903	\$ 90,565	\$ 32,662

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
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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 565,432	\$ 565,432	\$ 215,430	\$ (350,002)
Expenditures:				
Current:				
Culture and recreation	2,420	2,420	1,799	621
Capital outlay	<u>568,403</u>	<u>568,403</u>	<u>217,835</u>	<u>350,568</u>
Total expenditures	<u>570,823</u>	<u>570,823</u>	<u>219,634</u>	<u>351,189</u>
Excess (deficiency) of revenue over expenditures	(5,391)	(5,391)	(4,204)	1,187
Other financing sources (uses):				
Transfers in	<u>2,420</u>	<u>2,420</u>	<u>2,420</u>	<u>-</u>
Net change in cash balance	(2,971)	(2,971)	(1,784)	1,187
Cash balance, beginning of year	<u>4,142</u>	<u>4,142</u>	<u>4,142</u>	<u>-</u>
Cash balance, end of year	<u>\$ 1,171</u>	<u>\$ 1,171</u>	<u>\$ 2,358</u>	<u>\$ 1,187</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
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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 168,784	\$ 168,784	\$ 139,948	\$ (28,836)
Charges for services	<u>27,500</u>	<u>27,500</u>	<u>9,390</u>	<u>(18,110)</u>
Total revenues	196,284	196,284	149,338	(46,946)
Expenditures:				
Current:				
Public safety	185,784	192,723	159,091	33,632
Capital outlay	<u>10,000</u>	<u>15,000</u>	<u>14,764</u>	<u>236</u>
Total expenditures	<u>195,784</u>	<u>207,723</u>	<u>173,855</u>	<u>33,868</u>
Net change in cash balance	500	(11,439)	(24,517)	(13,078)
Cash balance, beginning of year	<u>106,485</u>	<u>106,485</u>	<u>106,485</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 106,985</u></u>	<u><u>\$ 95,046</u></u>	<u><u>\$ 81,968</u></u>	<u><u>\$ (13,078)</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
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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 20,554	\$ 24,856	\$ 22,087	\$ (2,769)
Charges for services	5,698	10,560	10,560	-
Miscellaneous	2,500	2,500	1,979	(521)
Total revenues	28,752	37,916	34,626	(3,290)
Expenditures:				
Current:				
Culture and recreation	25,854	25,853	20,537	5,316
Net change in cash balance	2,898	12,063	14,089	(8,606)
Cash balance, beginning of year	16,301	16,301	16,301	-
Cash balance, end of year	<u>\$ 19,199</u>	<u>\$ 28,364</u>	<u>\$ 30,390</u>	<u>\$ (8,606)</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
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, 2009

	<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	\$ 1,550	\$ (775)
Expenditures:				
Current:				
Culture and recreation	<u>2,325</u>	<u>2,325</u>	<u>180</u>	<u>2,145</u>
Net change in cash balance	-	-	1,370	1,370
Cash balance, beginning of year	<u>9,684</u>	<u>9,684</u>	<u>9,684</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 9,684</u></u>	<u><u>\$ 9,684</u></u>	<u><u>\$ 11,054</u></u>	<u><u>\$ 1,370</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
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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ 100,000	\$ -	\$ (100,000)
Expenditures:				
Current:				
General government	-	100,000	-	100,000
Excess (deficiency) of revenues over expenditures	-	-	-	-
Cash balance, beginning of year	<u>1,301</u>	<u>1,301</u>	<u>1,301</u>	<u>-</u>
Cash balance, end of year	<u>\$ 1,301</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
FEDERAL SEIZURES SHARE SPECIAL REVENUE 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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Interest income	\$ -	\$ 58	\$ 58	\$ -
Expenditures:				
Capital outlay	43,735	43,735	34,839	8,896
Net change in cash balance	(43,735)	(43,677)	(34,781)	8,896
Cash balance, beginning of year	44,066	44,066	44,066	-
Cash balance, end of year	<u>\$ 331</u>	<u>\$ 389</u>	<u>\$ 9,285</u>	<u>\$ 8,896</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, 2009

	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.	\$ 94,861	\$ 15,556	\$ 4,986	\$ 26,600
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>229</u>	<u>(306)</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 95,090</u>	<u>\$ 15,250</u>	<u>\$ 4,986</u>	<u>\$ 26,600</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 84,384	\$ 10,197	\$ 8,009	\$ 26,329
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.	109	(267)	1,183	-
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>\$ 84,493</u>	<u>\$ 9,930</u>	<u>\$ 9,192</u>	<u>\$ 26,329</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ -	\$ -
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 - 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, 2009

	<u>Lodger's Tax Fund</u>	<u>Municipal Streets Fund</u>	<u>Veteran's Wall Fund</u>	<u>DWI Grant Fund</u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 183,216	\$ 393,083	\$ 215,430	\$ 149,338
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>11,315</u>	<u>6,139</u>	<u>309,083</u>	<u>13,068</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 194,531</u>	<u>\$ 399,222</u>	<u>\$ 524,513</u>	<u>\$ 162,406</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 209,292	\$ 354,812	\$ 219,634	\$ 713,855
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)	-	277
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.	<u>-</u>	<u>-</u>	<u>306,678</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 209,292</u>	<u>\$ 354,318</u>	<u>\$ 526,312</u>	<u>\$ 714,132</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ 2,420	\$ -
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,420</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, 2009

	State Library Fund	Veteran's Wall Perpetual Care Fund	CDBG Fund	Federal Seizures Share 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.	\$ 34,626	\$ 1,550	\$ -	\$ 58
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>\$ 29,723</u>	<u>\$ 1,550</u>	<u>\$ -</u>	<u>\$ 58</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 20,537	\$ 180	\$ -	\$ 34,839
Differences - Budget to GAAP:				
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.	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,611</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 20,537</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ 68,450</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ -	\$ -
Differences - Budget to GAAP:				
For financial reporting purposes, the City considers the purchases of capital assets with lease agreements as other financing sources. For budgetary purposes, the City reflects the purchases as capital outlay.	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,611</u>
Total other financing sources (uses) as reported of revenues, expenditures and balances - special revenue funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,611</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
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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 490,000	\$ 490,000	\$ -	\$ (490,000)
Interest income	50	50	24	(26)
Total revenues	490,050	490,050	24	(490,026)
Expenditures:				
Current:				
Public works	716,764	850,804	3,458	847,346
Debt service:				
Principal	67,513	67,513	67,512	1
Interest	47,936	47,936	47,936	-
Total expenditures	832,213	966,253	118,906	847,347
Excess (deficiency) of revenues over expenditures	(342,163)	(476,203)	(118,882)	357,321
Other Financing Sources (Uses):				
Loan proceeds	356,946	357,346	-	(357,346)
Transfers in	118,907	118,907	118,907	-
Total other financing sources (uses)	475,853	476,253	118,907	(357,346)
Net change in cash balance	133,690	50	25	(25)
Cash balance, beginning of year	10,125	10,125	10,125	-
Cash balance, end of year	<u>\$ 143,815</u>	<u>\$ 10,175</u>	<u>\$ 10,150</u>	<u>\$ (25)</u>

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
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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 215,886	\$ 230,736	\$ 200,574	\$ (30,162)
Expenditures:				
Current:				
Public works	15,886	71,024	40,862	30,162
Capital outlay	<u>446,450</u>	<u>406,162</u>	<u>179,112</u>	<u>227,050</u>
Total expenditures	<u>462,336</u>	<u>477,186</u>	<u>219,974</u>	<u>257,212</u>
Excess (deficiency) of revenues over expenditures	(246,450)	(246,450)	(19,400)	227,050
Cash balance, beginning of year	<u>254,124</u>	<u>254,124</u>	<u>254,124</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 7,674</u></u>	<u><u>\$ 7,674</u></u>	<u><u>\$ 234,724</u></u>	<u><u>\$ 227,050</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
 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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 14,560	\$ 64,560	\$ 49,922	\$ (14,638)
Expenditures:				
Capital outlay	<u>5,502</u>	<u>55,502</u>	<u>43,310</u>	<u>12,192</u>
Excess (deficiency) of revenues over expenditures	9,058	9,058	6,612	(2,446)
Other Financing Sources (Uses):				
Transfers in	40,000	40,000	31,500	(8,500)
Transfers (out)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(31,500)</u>	<u>8,500</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balance	9,058	9,058	6,612	(2,446)
Cash balance, beginning of year	<u>5,823</u>	<u>5,823</u>	<u>5,823</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 14,881</u></u>	<u><u>\$ 14,881</u></u>	<u><u>\$ 12,435</u></u>	<u><u>\$ (2,446)</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
 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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest income	\$ 50	\$ 50	\$ 15	\$ (35)
Expenditures:				
Current:				
Public works	6,300	6,300	6,290	10
Capital outlay	<u>15,200</u>	<u>15,950</u>	<u>15,649</u>	<u>301</u>
Total expenditures	<u>21,500</u>	<u>22,250</u>	<u>21,939</u>	<u>311</u>
Excess (deficiency) of revenues over expenditures	(21,450)	(22,200)	(21,924)	276
Other Financing Sources (Uses):				
Transfers in	<u>21,450</u>	<u>22,200</u>	<u>22,200</u>	<u>-</u>
Net change in cash balance	-	-	276	276
Cash balance, beginning of year	<u>5,816</u>	<u>5,816</u>	<u>5,816</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 5,816</u></u>	<u><u>\$ 5,816</u></u>	<u><u>\$ 6,092</u></u>	<u><u>\$ 276</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
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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 12,269	\$ 12,269	\$ -	\$ (12,269)
Expenditures:				
Capital outlay	<u>14,388</u>	<u>20,532</u>	<u>19,072</u>	<u>1,460</u>
Net change in cash balance	(2,119)	(8,263)	(19,072)	(10,809)
Cash balance, beginning of year	<u>31,378</u>	<u>31,378</u>	<u>31,378</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 29,259</u></u>	<u><u>\$ 23,115</u></u>	<u><u>\$ 12,306</u></u>	<u><u>\$ (10,809)</u></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
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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public works	-	-	-	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	<u>59,007</u>	<u>59,007</u>	<u>59,007</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 59,007</u></u>	<u><u>\$ 59,007</u></u>	<u><u>\$ 59,007</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
FAA PROJECT CAPITAL PROJECT 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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 62,012	\$ 61,579	\$ 54,330	\$ (7,249)
Expenditures:				
Current:				
Public works	<u>75,215</u>	<u>76,158</u>	<u>55,723</u>	<u>20,435</u>
Excess (deficiency) of revenues over expenditures	(13,203)	(14,579)	(1,393)	13,186
Other Financing Sources (Uses):				
Transfers in	<u>18,278</u>	<u>18,278</u>	<u>18,278</u>	<u>-</u>
Net change in cash balance	5,075	3,699	16,885	13,186
Cash balance, beginning of year	<u>4,498</u>	<u>4,498</u>	<u>4,498</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 9,573</u></u>	<u><u>\$ 8,197</u></u>	<u><u>\$ 21,383</u></u>	<u><u>\$ 13,186</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, 2009

	<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.	\$ 24	\$ 200,574	\$ 49,922	\$ 15
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>4,428</u>	<u>-</u>	<u>(6,684)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds	<u>\$ 4,452</u>	<u>\$ 200,574</u>	<u>\$ 43,238</u>	<u>\$ 15</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 118,906	\$ 219,974	\$ 43,310	\$ 21,939
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>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds	<u>\$ 118,906</u>	<u>\$ 219,974</u>	<u>\$ 43,310</u>	<u>\$ 21,939</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 118,907	\$ -	\$ -	\$ 22,200
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>\$ 118,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,200</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, 2009

	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.	\$ -	\$ -	\$ 54,330
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>-</u>	<u>-</u>	<u>3,164</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,494</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 19,072	\$ -	\$ 55,723
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>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds	<u>\$ 19,072</u>	<u>\$ -</u>	<u>\$ 55,723</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ 18,278
Differences - Budget to GAAP:			
None.	<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>\$ -</u>	<u>\$ -</u>	<u>\$ 18,278</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
DEBT SERVICE 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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 249,100	\$ 257,570	\$ 257,570	\$ -
Intergovernmental	-	100,000	-	(100,000)
Interest income	500	531	28,004	27,473
Total revenues	249,600	358,101	285,574	(72,527)
Expenditures:				
Current:				
General government	800	130,793	44,651	86,142
Capital outlay	-	1,595,494	-	1,595,494
Debt service:				
Principal	117,282	46,568	1,032,264	(985,696)
Interest	66,547	75,822	38,879	36,943
Total expenditures	184,629	1,848,677	1,115,794	732,883
Excess (deficiency) of revenues over expenditures	64,971	(1,490,576)	(830,220)	660,356
Other Financing Sources (Uses):				
Loan proceeds	-	1,625,537	2,958,802	1,333,265
Transfers (out)	-	(31,000)	(21,657)	9,343
Total other financing sources (uses)	-	1,594,537	2,937,145	1,342,608
Net change in cash balance	64,971	103,961	2,106,925	2,002,964
Cash balance, beginning of year	163,077	163,077	163,077	-
Cash converted to investments	-	-	(1,650,080)	(1,650,080)
Cash balance, end of year	<u>\$ 228,048</u>	<u>\$ 267,038</u>	<u>\$ 619,922</u>	<u>\$ 352,884</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, 2009

	<u>Debt Service Fund</u>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 285,574
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>7,162</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - debt service funds	<u>\$ 292,736</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 1,115,794
Differences - Budget to GAAP:	
None.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - debt service funds	<u>\$ 1,115,794</u>
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 2,937,145
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>\$ 2,937,145</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, 2009

	<u>Cemetery Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash	\$ 33,684	\$ 38,403	\$ 72,087
Noncurrent assets:			
Land	107,580	625,001	732,581
Buildings and improvements	10,074	303,770	313,844
Infrastructure	-	53,205	53,205
Equipment	-	149,403	149,403
Less accumulated depreciation	<u>(3,135)</u>	<u>(428,903)</u>	<u>(432,038)</u>
Total capital assets, net	<u>114,519</u>	<u>702,476</u>	<u>816,995</u>
Total assets	<u>148,203</u>	<u>740,879</u>	<u>889,082</u>
Liabilities:			
Current liabilities:			
Accounts payable	372	2,035	2,407
Net assets:			
Invested in capital assets, net of related debt	114,519	702,476	816,995
Unrestricted	<u>33,312</u>	<u>36,368</u>	<u>69,680</u>
Total net assets	<u>\$ 147,831</u>	<u>\$ 738,844</u>	<u>\$ 886,675</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, 2009

	Cemetery Fund	Golf Course Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for services	\$ 12,825	\$ 10,814	\$ 23,639
Operating Expenses:			
General operating	12,402	38,683	51,085
Depreciation	<u>276</u>	<u>8,810</u>	<u>9,086</u>
Total operating expenses	<u>12,678</u>	<u>47,493</u>	<u>60,171</u>
Operating income (loss)	147	(36,679)	(36,532)
Non-Operating Revenues (Expenses):			
State shared taxes	-	541	541
Interest income	<u>-</u>	<u>97</u>	<u>97</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>638</u>	<u>638</u>
Income (loss) before transfers	147	(36,041)	(35,894)
Transfers:			
Transfers in	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Change in net assets	147	13,959	14,106
Net assets, beginning of year	<u>147,684</u>	<u>724,885</u>	<u>872,569</u>
Net assets, end of year	<u>\$ 147,831</u>	<u>\$ 738,844</u>	<u>\$ 886,675</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, 2009

	Cemetery Fund	Golf Course Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 12,825	\$ 10,814	\$ 23,639
Cash payments to suppliers for goods and services	(12,615)	(39,196)	(51,811)
Net cash provided (used) by operating activities	210	(28,382)	(28,172)
Cash Flows by Non-Capital Financing Activities:			
Cash received from intergovernmental sources	-	541	541
Net transfers in (out)	-	50,000	50,000
Net cash provided by non-capital and financing activities	-	50,541	50,541
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(5,574)	(43,000)	(48,574)
Cash Flows From Investing Activities:			
Interest income	-	97	97
Net (decrease) in cash	(5,364)	(20,744)	(26,108)
Cash and cash equivalents, beginning of year	39,048	59,147	98,195
Cash and cash equivalents, end of year	<u>\$ 33,684</u>	<u>\$ 38,403</u>	<u>\$ 72,087</u>
Displayed as:			
Cash	<u>\$ 33,684</u>	<u>\$ 38,403</u>	<u>\$ 72,087</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 147	\$ (36,679)	\$ (36,532)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	276	8,810	9,086
Change in Assets and Liabilities:			
(Decrease) in accounts payable	(213)	(513)	(726)
Total adjustments	63	8,297	8,360
Net cash provided (used) by operating activities	<u>\$ 210</u>	<u>\$ (28,382)</u>	<u>\$ (28,172)</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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 8,468,532	\$ 8,375,339	\$ 8,353,587	\$ (21,752)
Operating Expenses:				
Personnel services	1,719,125	1,678,875	1,561,084	117,791
General operating	5,013,807	4,995,201	4,582,485	412,716
Total operating expenses	<u>6,732,932</u>	<u>6,674,076</u>	<u>6,143,569</u>	<u>530,507</u>
Operating income	1,735,600	1,701,263	2,210,018	508,755
Non-Operating Revenues (Expenses):				
State shared taxes	421,800	454,014	454,171	157
Intergovernmental	229,595	228,095	26,817	(201,278)
Miscellaneous	-	85	-	(85)
Interest income	3,960	2,133	16,505	14,372
Retirement of debt	(164,142)	(164,142)	(164,141)	1
Interest expense	(125,061)	(125,061)	(125,061)	-
Total non-operating revenues (expenses)	<u>366,152</u>	<u>395,124</u>	<u>208,291</u>	<u>(186,833)</u>
Income before other financing sources (uses)	2,101,752	2,096,387	2,418,309	321,922
Other Financing Sources (Uses):				
Transfers in	331,944	331,944	532,726	200,782
Transfers (out)	(2,492,533)	(2,492,533)	(2,492,533)	-
Total other financing sources (uses)	<u>(2,160,589)</u>	<u>(2,160,589)</u>	<u>(1,959,807)</u>	<u>200,782</u>
Net change in cash balance	(58,837)	(64,202)	458,502	522,704
Cash balance, beginning of year	1,050,906	1,050,906	1,050,906	-
Cash converted to restricted cash	-	-	(240,366)	(240,366)
Cash balance, end of year	<u>\$ 992,069</u>	<u>\$ 986,704</u>	<u>\$ 1,269,042</u>	<u>\$ 282,338</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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
General operating	-	56,184	32,251	23,933
Operating (loss)	-	(56,184)	(32,251)	23,933
Non-Operating Revenues (Expenses):				
State shared taxes	68,400	64,389	64,389	-
Interest income	-	400	12,101	11,701
Retirement of debt	(64,767)	(64,767)	(64,767)	-
Interest expense	(16,134)	(16,134)	(16,134)	-
Total non-operating revenues (expenses)	(12,501)	(16,112)	(4,411)	11,701
Net change in cash balance	(12,501)	(72,296)	(36,662)	35,634
Cash balance, beginning of year	423,450	423,450	423,450	-
Cash balance, end of year	<u>\$ 410,949</u>	<u>\$ 351,154</u>	<u>\$ 386,788</u>	<u>\$ 35,634</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, 2009

	<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	\$ 12,000	\$ 12,825	\$ 12,825	\$ -
Operating Expenses:				
General operating	<u>12,000</u>	<u>18,439</u>	<u>18,189</u>	<u>250</u>
Net change in cash balance	-	(5,614)	(5,364)	250
Cash balance, beginning of year	<u>39,048</u>	<u>39,048</u>	<u>39,048</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 39,048</u></u>	<u><u>\$ 33,434</u></u>	<u><u>\$ 33,684</u></u>	<u><u>\$ 250</u></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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 10,725	\$ 10,814	\$ 10,814	\$ -
Operating Expenses:				
General operating	63,100	62,916	49,196	13,720
Capital outlay	43,584	44,015	33,000	11,015
Total operating expenses	<u>106,684</u>	<u>106,931</u>	<u>82,196</u>	<u>24,735</u>
Operating (loss)	(95,959)	(96,117)	(71,382)	24,735
Non-Operating Revenues (Expenses):				
State shared taxes	725	541	541	-
Interest income	60	97	97	-
Total non-operating revenues (expenses)	<u>785</u>	<u>638</u>	<u>638</u>	<u>-</u>
Income (loss) before other financing sources (uses)	(95,174)	(95,479)	(70,744)	24,735
Other Financing Sources (Uses):				
Transfers in	53,000	53,000	50,000	(3,000)
Net change in cash balance	(42,174)	(42,479)	(20,744)	21,735
Cash balance, beginning of year	59,147	59,147	59,147	-
Cash balance, end of year	<u>\$ 16,973</u>	<u>\$ 16,668</u>	<u>\$ 38,403</u>	<u>\$ 21,735</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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 260,605	\$ 264,734	\$ 219,938	\$ (44,796)
Operating Expenses:				
Personnel services	91,501	91,498	82,967	8,531
General operating	283,148	278,811	221,941	56,870
Total operating expenses	<u>374,649</u>	<u>370,309</u>	<u>304,908</u>	<u>65,401</u>
Operating (loss)	(114,044)	(105,575)	(84,970)	20,605
Non-Operating Revenues (Expenses):				
State shared taxes	11,450	5,945	5,945	-
Interest income	125	97	97	-
Total non-operating revenues expenses	<u>11,575</u>	<u>6,042</u>	<u>6,042</u>	<u>-</u>
Income (loss) before other financing sources (uses)	(102,469)	(99,533)	(78,928)	20,605
Other Financing Sources (Uses):				
Transfers in	<u>89,500</u>	<u>89,500</u>	<u>77,000</u>	<u>(12,500)</u>
Net change in cash balance	(12,969)	(10,033)	(1,928)	8,105
Cash balance, beginning of year	<u>64,265</u>	<u>64,265</u>	<u>64,265</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 51,296</u></u>	<u><u>\$ 54,232</u></u>	<u><u>\$ 62,337</u></u>	<u><u>\$ 8,105</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, 2009

	<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.	\$ 8,353,587	\$ -	\$ 12,825
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>94,423</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets	<u><u>\$ 8,448,010</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,825</u></u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 6,143,569	\$ 32,251	\$ 18,189
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.	116,295	181,673	(5,787)
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.	(747)	-	-
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	24,016	-	-
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>153,345</u>	<u>139,018</u>	<u>276</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 6,436,478</u></u>	<u><u>\$ 352,942</u></u>	<u><u>\$ 12,678</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, 2009

	Joint Utility Fund	Solid Waste Fund	Cemetery Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 497,493	\$ 76,490	\$ -
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>1,790</u>	<u>-</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 497,493</u>	<u>\$ 78,280</u>	<u>\$ -</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (289,202)	\$ (80,901)	\$ -
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.	164,141	64,767	-
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>(2,050)</u>	<u>-</u>	<u>-</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$ (127,111)</u>	<u>\$ (16,134)</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, 2009

	<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.	\$ 532,726	\$ -	\$ -
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>(532,726)</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>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (2,492,533)	\$ -	\$ -
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>532,726</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>\$ (1,959,807)</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, 2009

	<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.	\$ 10,814	\$ 219,938
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>\$ 10,814</u>	<u>\$ 220,048</u>
Uses/Outflows of Operating Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 82,196	\$ 304,908
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.	(10,513)	(320)
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.	-	608
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(33,000)	-
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>88,185</u>
Total operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 47,493</u>	<u>\$ 393,381</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, 2009

	<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.	\$ 638	\$ 6,042
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>\$ 638</u>	<u>\$ 6,042</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, 2009

	<u>Golf Course Fund</u>	<u>Airport Fund</u>
Other Sources of Resource:		
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 50,000	\$ 77,000
Differences - Budget to GAAP:		
None.	<u>-</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 50,000</u>	<u>\$ 77,000</u>
Other Uses of Resources:		
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ -	\$ -
Differences - Budget to GAAP:		
None.	<u>-</u>	<u>-</u>
Total other (uses) resources 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
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, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 219,000	\$ 235,538	\$ 235,538	\$ -
Operating Expenses:				
General operating	<u>219,000</u>	<u>219,000</u>	<u>216,570</u>	<u>2,430</u>
Net change in cash balance	-	16,538	18,968	2,430
Cash balance, beginning of year	<u>42,639</u>	<u>42,639</u>	<u>42,639</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 42,639</u></u>	<u><u>\$ 59,177</u></u>	<u><u>\$ 61,607</u></u>	<u><u>\$ 2,430</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 AND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Internal Service Fund
Sources/Inflows of Operating Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 235,538
Differences - Budget to GAAP:	
None.	-
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ 235,538
Uses/Outflows of Operating Resources:	
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 216,570
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.	10,438
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ 227,008
Sources/Inflows of Non-Operating Resources:	
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ -
Differences - Budget to GAAP:	
None.	-
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -
Uses/Outflows of Non-Operating Resources:	
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -
Differences - Budget to GAAP:	
None.	-
Total non-operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -
Other Sources of Resources:	
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ -
Differences - Budget to GAAP:	
None.	-
Total transfer in as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -
Other Uses of Resources:	
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ -
Differences - Budget to GAAP:	
None.	-
Total transfer out as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -

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, 2009

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	\$ 61,921	\$ 116	\$ 62,037
FAA Project/Municipal Airport	Checking	21,383	-	21,383
C I General	Checking	6,092	-	6,092
C I Joint Utility	Checking	9,171	-	9,171
CDBG Comprehensive	Checking	1,301	-	1,301
Court Cost	Checking	9,013	50	9,063
DWI HB108	Checking	5,300	15,100	20,400
DWI Fund	Checking	60,863	(2,329)	58,534
DWI-UA Screening Program	Checking	19,474	(16,440)	3,034
Special Appropriations Effluent Water	Checking	234,724	-	234,724
Electrical Construction	Checking	10,150	-	10,150
General Fund	Checking	845,001	(34,279)	810,722
Golf Course	Checking	38,173	230	38,403
Internal Services	Checking	49,059	12,548	61,607
Joint Utility Income	Checking	900,889	18,574	919,463
JT Utility Emergency Repair Fund	Checking	59,007	-	59,007
Law Enforcement	Checking	2,253	-	2,253
Federal Seizure Share	Checking	9,285	-	9,285
Lodgers' Tax	Checking	96,939	(2,382)	94,557
Morgan Street Dam Project	Checking	12,306	-	12,306
Municipal Recreation	Checking	37,145	113	37,258
PD Bond Account	Checking	1,000	-	1,000
PD Confidential Fund	Savings	1,228	-	1,228
Police Department Donation	Checking	8,976	-	8,976
Pledge State Tax	Checking	619,922	-	619,922
Payroll Revolving Fund	Checking	107,842	(102,661)	5,181
R & R Water Fund	Checking	18,626	-	18,626
Senior Transportation	Checking	12,435	-	12,435
Solid Waste Disposal	Checking	77,375	-	77,375
State Fire Fund	Checking	65,756	-	65,756
Street Renovation	Checking	90,565	-	90,565
Veteran's Wall	Checking	2,358	-	2,358
Veteran's Wall Prep	Checking	11,054	-	11,054
Capital Improvement Reserves	Savings	202,319	-	202,319
Emergency Repair Reserves	Savings	12,683	-	12,683
Wastewater Repair Reserves	Savings	14,633	-	14,633
Electrical Construction Reserves	Savings	10,154	-	10,154
		<u>\$ 3,746,375</u>	<u>\$ (111,360)</u>	<u>\$ 3,635,015</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2009

<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	\$ 33,684	\$ -	\$ 33,684
Library Fund	Checking	31,476	(1,086)	30,390
Required Reserve 1995 Bond	Time Deposit	53,631	-	53,631
Bond Fund 1995	Time Deposit	52,331	-	52,331
Required Reserve 1996 Bond	Time Deposit	35,204	-	35,204
Bond Fund 1996	Time Deposit	34,954	-	34,954
Bond Pmt Reserve 1998	Time Deposit	16,542	-	16,542
Required Reserve 1998	Time Deposit	14,895	-	14,895
Pledged State	Time Deposit	371,296	-	371,296
Solid Waste	Time Deposit	309,413	-	309,413
R & R Sewer	Time Deposit	247,531	-	247,531
R & R Water	Time Deposit	73,651	-	73,651
Emergency Repair Reserves	Time Deposit	76,200	-	76,200
Wastewater Reserve	Time Deposit	95,400	-	95,400
Electrical Construction Reserve	Time Deposit	77,300	-	77,300
Capital Improvement Reserve	Time Deposit	954,000	-	954,000
		<u>\$ 2,477,508</u>	<u>\$ (1,086)</u>	<u>\$ 2,476,422</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009

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	\$ 72,435
FNMA ARM Pool #91962	31363LFB0	05/01/19	19,286
GNMA II Pool #008466	36202KMP7	07/20/24	48,958
GNMA II Pool #080484	36225CRE8	01/20/31	28,957
Total:			<u><u>\$ 169,636</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.

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>
Columbus Texas G/O	199579CW1	08/15/20	\$ 96,712
Harris Cnty TX Impt G/O BQ	414181BS5	09/01/21	60,212
Danbury TX Higher Ed Auth Rev	236035AL5	02/15/22	73,877
Danbury TX Higher Ed Auth Rev	236035AL5	02/15/22	32,321
FNMA Arm #695982	31400SFX2	03/01/33	530,215
FNMA Arm #886344	31410DWD8	07/01/36	1,520,168
Total:			<u><u>\$ 2,313,505</u></u>

The holder of the security pledged by Compass Bank is the Federal Home Loan Bank of Atlanta, P.O. Box 105565, Atlanta, Georgia 30348-5565.

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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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, 2009, which collectively comprise the City of Truth or Consequences, New Mexico basic financial statements and have issued our report thereon dated November 30, 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 Veteran's Wall and debt service governmental funds, major joint utility, solid waste, 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, 2009. Our report was modified to include a reference to other auditors. 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 City of Truth or Consequences' 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 responses to be significant deficiencies in internal control over financial reporting as item 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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses as findings 2009-01, 2009-02, 2009-03 and 2009-04. In regards to the City of Truth or Consequences Housing Authority, the other auditors noted a certain matter that is 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 is described in the accompanying schedule of findings and responses as finding 07-02.

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

The City of Truth or Consequences Housing Authority's response to the finding in their audit is described in the accompanying schedule of findings and responses. 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

November 30, 2009

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

SECTION I – 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 the issuance of a new loan, 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 City failed to record the liabilities related to capital leases with various lenders for equipment.
- At year-end, the City failed to prepare a schedule of all receivables and a schedule of accounts payable.
- The City failed to adjust its accounting records for year end inventory balances.
- 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. Since that time, City has not reconciled or determined the difference between their records and the audit report. Furthermore, the City failed to record all its additions to the capital assets subsidiary records with a cost of greater 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 RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I – 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 and the recording of debt obligations. 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 – The City has recently hired a new finance officer with CPA experience. We expect this change will enable us to prepare financial statements in accordance with GAAP and convert year-end cash basis accounting information into the accrual basis accounting.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2009-01 – Public Money Deposits

Statement of Condition – The City maintains cash in interest bearing accounts in two separate financial institutions and it could not be determined whether deposits were invested in a ratio based upon the financial institution’s total deposits.

Criteria – Section 6-10-36 NMSA 1978 states in part, “*Public money placed in interest-bearing deposits in banks and savings and loan associations shall be equitably distributed among all banks and savings and loan associations having their main or staffed branch offices within the geographical boundaries of the governmental unit that have qualified as public depositories. The deposits shall be in the proportion that each bank’s or savings and loan association’s deposits bears to the total deposits of all banks and savings and loan associations.*”

Effect – Noncompliance with the New Mexico state statutes could subject elected officials and employees to penalties.

Cause – The City has not established a procedure to ensure compliance with Section 6-10-36 NMSA 1978 concerning public money deposits.

Recommendation – We recommend the City review Section 6-10-36 of the New Mexico state statutes and enact a policy and procedure that would ensure compliance with State laws.

Views of Responsible Officials and Planned Corrective Actions – The City concurs with this finding and after reviewing Section 6-10-36 NMSA 1978, we expect to be able to put a policy and procedure in place that will comply with State laws.

Item 2009-02 – Capital Assets – Inventory Control Numbers

Statement of Condition – The City is not in the practice of placing identification tags on its capital assets. In addition, the descriptions on the subsidiary records do not provide enough detail to identify the assets.

Criteria – The County’s accounting personnel have the responsibility to tag all newly received capital assets at the time they are received and to record newly acquired assets as per part 2.20.1.15 NMAC, *Accounting and Control of Fixed Assets of State Government*.

Effect – Without tagging the capital assets, the City has not established physical accountability for their custody and use. Furthermore, difficulties arise when identifying assets on the subsidiary records due to lack of specific identification on both the actual asset and on the records. Incorrectly identified assets could be removed from the records in error and may not be detected in a timely manner.

Cause – Tagging the assets as City property has not been given priority.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2009-02 – Capital Assets – Inventory Control Numbers (continued)

Recommendation – We recommend the City expedite the establishment and maintenance of appropriate internal controls over its fixed assets for the primary purposes of safeguarding them and establishing accountability for their custody and use.

Views of Responsible Officials and Planned Corrective Actions – The City concurs with this finding and will begin formulating the establishment and maintenance of internal controls over fixed assets and establish accountability for custody and use of our fixed assets.

Item 2009-03 – Procurement Code – Municipal Court Building

Statement of Condition – During our testing of the City's adherence to the New Mexico procurement code, we discovered the following violations:

- The City did not seek competitive sealed bids for additional services totaling approximately \$44,075 related to the Municipal Court Building.
- The original bid omitted certain key requirements such as the foundation and the heating and cooling units.
- The City management discussed the specifications with an outside vendor prior to commencement of the bidding process. The bid specifications were actually provided to the City by the vendor.
- The City Council approved a price adjustment that was not a fixed-price. They did this by awarding the vendor a contract not to exceed \$250,000, when the original bid was \$213,433.

Criteria – Section 13-1-102 NMSA 1978 states that all procurement shall be by competitive sealed bid except for procurements via competitive sealed proposals; small purchases; sole source; emergency procurements; existing procurements; and antipoverty program businesses. Section 13-1-125 NMSA 1978 states that procurement requirements shall not be artificially divided so as to constitute a small purchase. Section 13-1-116 NMSA 1978 states that the contents of any proposal shall not be disclosed so as to be available to competing offerors during the negotiation process. Section 13-1-171 NMSA 1978 addresses how price adjustments are computed. It can be done by agreement on a fixed-price.

Effect – Any person, firm, or corporation that knowingly violates any provision of the Procurement Code is subject to a civil penalty of not more than one thousand dollars (\$1,000) for each procurement in violation of any provision of the Procurement Code [13-1-28 to 13-1-117 and 13-1-118 to 13-1-199].

Cause – There is a lack of understanding on the part of management as to its responsibilities for following the New Mexico procurement code.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Primary Government (continued)

Item 2009-03 – Procurement Code – Municipal Court Building (continued)

Recommendation – We recommend the City expedite the establishment of procedures that will provide a complete understanding and total assurance of compliance with the Procurement Code. The General Services Department of the state of New Mexico would be a good resource to answer questions concerning its role in the procurement process. Because of the limitations of staffing in the manager's office, the City officials should consider the formation of a task force or committee specially dedicated to oversee purchases requiring sealed bids.

Views of Responsible Officials and Planned Corrective Actions – The bid process was handled by the former city manager and the current acting city manager was not involved in this process. The City will establish procedures that will provide a thorough understanding and assurance of compliance with the Procurement Code.

Item 2009-04 – Exit Conference

Statement of Condition – A member of the governing board was not physically present at the exit conference held on November 30, 2009. The mayor did participate in the exit conference with questions and feedback by telephone.

Criteria – As per State Auditor Rule 2.2.2.10J, the IPA must hold an exit conference with representatives of the governing authority and top management. The exit conference must be in person; a telephone exit conference will not meet this requirement unless a telephonic exit conference is approved in writing by the State Auditor.

Effect – The City is not in compliance with the State Auditor's rule.

Cause – Unforeseen circumstances prevented the Mayor from physically attending the exit conference.

Recommendation – We recommend the City review the State Auditor's Rule to ensure compliance with future exit conferences.

Views of Responsible Officials and Planned Corrective Actions – We concur.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Component Unit (continued)

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

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.

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.

SECTION II – PRIOR YEARS' AUDIT FINDINGS

Primary Government

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 2008-01 – Board of Commissioners' Official Minutes - In the previous year's audit report, it was noted the City were not preparing minutes within ten working days after the Board meeting.. The finding is considered resolved.

Item 2008-02 – Deposit and Investment of Public Funds - In the previous year's audit report, it was noted had invested idle cash in certificates of deposit at financial institutions located outside of the geographical boundaries of the City. The certificates have been moved. The finding is considered resolved.

Item 2008-03 – Collateral of Public Monies - At June 30, 2008, the City had uninsured deposits of public monies that were not secured with collateral as required by state statutes. The deposits have been moved. The finding is considered resolved.

Item 2008-04 –FY2006-2007 Audit Report Discussion - The draft audit report for the year ended June 30, 2007 was discussed at a public meeting prior to the approval by the State Auditor's office. This was a one time event and as such is not repeated in the current year audit.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – PRIOR YEARS’ AUDIT FINDINGS (continued)

Primary Government (continued)

Item 2008-05 –FY2006-2007 Audit Report Presentation and Approval - The audit report for the year ended June 30, 2007 was presented to a quorum of the governing authority of the City in a public meeting but was not approved. The report was presented and approved at a subsequent meeting. The finding is considered resolved.

Item 2008-06 –Submission of Audit Report - The audit report for the year ended June 30, 2008 was submitted to the State Auditor’s Office late. The finding was a fiscal year 2008 event and as such is not repeated in the current year audit.

Item 2008-07 –Cash Receipts - The City did not have sufficient controls in place to properly safeguard the collection and recording of its cash receipts. The City implemented a procedure that requires a pre-numbered receipt be issued that indicates the mode of payment and the type of collection. The finding is considered resolved.

Item 2008-08 – Submission of the Reporting Package to the Federal Government – The audit report along with the data collection from for the fiscal year ended June 30, 2008 was submitted late. The finding was a fiscal year 2008 event and as such is not repeated in the current year audit.

Component Unit

Item 07-02 – 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 Authority. The auditing firm prepared the financial statements. The finding has not been resolved and is updated and repeated as 07-02.

Item 08-01 – Late Audit Report Submission - The audit report for June 30, 2008 was due December 1, 2008. It was submitted to the New Mexico State Auditor on February 26, 2009. The finding was a fiscal year 2008 event and as such is not repeated in the current year audit.

Item 08-02 – Depository Collateral - The Authority’s cash deposits at Compass Bank were under collateralized by \$118,240 at June 30, 2008. The finding was not repeated in the current year audit and as such is considered resolved.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2009**

**CITY OF TRUTH OR CONSEQUENCES
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on November 30, 2009. Present for the City were Mary B. Penner, Acting City Manager, Ina Wolfe, Finance Officer, and Ellen Lindsey, Administrative Assistant. Present for the auditing firm were Rose Fierro, CPA.

**PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2009 was discussed during the exit conference held on September 16, 2009. Present for the Public Housing Authority was Adrian O'Neill and Greg D'Amour, board members; Marie Bradley, executive director; Suzi Slater, chief finance officer; Rita Johnson, director of housing. Present for the auditing firm was Kay Stone, CPA, and Mike 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, 2009. 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, 2009. 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.