

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL STATEMENTS
JUNE 30, 2011



STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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City of Truth or Consequences
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STATE OF NEW MEXICO
City of Truth or Consequences
Official Roster
June 30, 2011

<u>Name</u>	<u>City Council</u>	<u>Title</u>
Lori Montgomery		Mayor
Evelyn Renfro		City Commissioner/Mayor Pro Tem
Steven Green		City Commissioner
Frances Luna		City Commissioner
Freddie Torres		City Commissioner

Administration

Ellen Lindsay	Interim City Manager
Mary Penner	City Clerk
Juan Fuentes	Finance Director
Judge B. Sanders	Municipal Judge
Jay Rubin	City Attorney

Housing Authority

Greg D'Amour	Chairman
LeeAnn Tooley	Vice- Chairman
Adrian O'Neill	Commissioner
Doti Coffee	Commissioner
Susan Morrongiolo-Koenick	Commissioner
Marie Bradley	Executive Director
Mario Portillo	Finance Director

FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
Office of Management and Budget and
To the Truth or Consequences City Council Members
City of Truth or Consequences
Truth or Consequences, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparison for the general 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, each of the City's nonmajor proprietary funds, the budgetary comparisons for the remaining nonmajor governmental funds, the major debt service fund, and the proprietary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 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 \$4,808,071, net assets of \$3,600,043 as of June 30, 2011, and revenues of \$1,791,881 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof 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 respective financial position of each nonmajor governmental fund and each nonmajor proprietary fund of the City as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the cash basis of accounting and more fully described in Note 2, 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 28, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements, the combining and individual fund statements, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as Supporting Schedules I and II in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements and the combining and individual fund statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 28, 2011

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Truth or Consequences

Statement of Net Assets

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,108,724	\$ 2,343,651	\$ 4,452,375	\$ 1,016,616
Investments	477,443	489,406	966,849	-
Receivables:				
Property taxes	27,595	-	27,595	-
Other taxes	423,200	-	423,200	-
Due from other governments	-	-	-	206,104
Utility receivables, net	-	1,192,373	1,192,373	-
Interfund receivables	-	-	-	2,952
Inventory	130,924	1,485,685	1,616,609	4,995
Total Current Assets	<u>3,167,886</u>	<u>5,511,115</u>	<u>8,679,001</u>	<u>1,230,667</u>
Noncurrent Assets				
Restricted cash and cash equivalents	2,569,956	2,180,221	4,750,177	233,874
Bond issuance costs (net of accumulated amortization of \$36,752)	60,770	-	60,770	-
Capital assets	18,936,968	17,777,540	36,714,508	8,241,022
Less: accumulated depreciation	<u>(9,289,180)</u>	<u>(10,317,599)</u>	<u>(19,606,779)</u>	<u>(4,897,492)</u>
Total Noncurrent Assets	<u>12,278,514</u>	<u>9,640,162</u>	<u>21,918,676</u>	<u>3,577,404</u>
Total Assets	<u>\$ 15,446,400</u>	<u>\$ 15,151,277</u>	<u>\$ 30,597,677</u>	<u>\$ 4,808,071</u>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current Liabilities				
Accounts payable	\$ 130,009	\$ 223,408	\$ 353,417	\$ 27,035
Accrued payroll	117,245	62,899	180,144	25,252
Customer deposits	-	159,356	159,356	-
Accrued interest	18,249	69,679	87,928	-
Deferred revenue	-	-	-	-
Tenant Deposits	-	-	-	29,027
FSS Deposits	-	-	-	32,828
Compensated absences	199,543	116,350	315,893	-
Current portion of long-term debt	318,645	324,123	642,768	32,514
Total Current Liabilities	783,691	955,815	1,739,506	146,656
Noncurrent Liabilities				
Accrued compensated absences	-	-	-	36,758
Accrued landfill closure costs	-	410,685	410,685	-
Bonds payable	-	1,530,575	1,530,575	-
Leases and notes payable	4,669,654	2,681,491	7,351,145	1,024,614
Total Noncurrent Liabilities	4,669,654	4,622,751	9,292,405	1,061,372
Total Liabilities	5,453,345	5,578,566	11,031,911	1,208,028
Net Assets				
Invested in capital assets, net of related debt	4,659,489	2,923,752	7,583,241	2,276,354
Restricted for:				
Debt service	3,329,726	-	3,329,726	-
Capital projects	371,698	-	371,698	-
Housing assistance payments	-	-	-	72,602
Repair and replacement	-	-	-	82,929
Taxes and insurance payments	-	-	-	7,007
Tenant use	-	-	-	9,482
Unrestricted	1,632,142	6,648,959	8,281,101	1,151,669
Total Net Assets	9,993,055	9,572,711	19,565,766	3,600,043
Total Liabilities and Net Assets	\$ 15,446,400	\$ 15,151,277	\$ 30,597,677	\$ 4,808,071

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
General government	\$ 2,586,961	\$ 111,910	\$ 282,304	\$ -
Public safety	1,761,313	35,422	287,462	-
Public works	1,576,327	-	95,918	12,269
Culture and recreation	609,793	16,451	8,648	-
Health and welfare	312,803	6,975	818	-
Interest on long-term debt	191,184	-	-	-
<i>Total governmental activities</i>	<u>7,038,381</u>	<u>170,758</u>	<u>675,150</u>	<u>12,269</u>
Business-type Activities:				
Joint Utility	6,749,593	10,335,620	133,802	-
Solid Waste	190,839	79,942	13,944	-
Airport	398,578	198,300	28,135	-
Cemetery	12,440	17,625	-	-
Golf Course	59,294	11,927	-	-
<i>Total business-type activities</i>	<u>7,410,744</u>	<u>10,643,414</u>	<u>175,881</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 14,449,125</u>	<u>\$ 10,814,172</u>	<u>\$ 851,031</u>	<u>\$ 12,269</u>
Component Unit:				
Housing Authority	<u>\$ 1,979,657</u>	<u>\$ 428,670</u>	<u>\$ 1,359,017</u>	<u>\$ -</u>
General Revenues and Transfers:				
Taxes				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Other taxes				
Investment income				
Miscellaneous revenue				
Gain (loss) on disposition of assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,192,747)	\$ -	\$ (2,192,747)	\$ -
(1,438,429)	-	(1,438,429)	-
(1,468,140)	-	(1,468,140)	-
(584,694)	-	(584,694)	-
(305,010)	-	(305,010)	-
(191,184)	-	(191,184)	-
(6,180,204)	-	(6,180,204)	-
-	3,719,829	3,719,829	-
-	(96,953)	(96,953)	-
-	(172,143)	(172,143)	-
-	5,185	5,185	-
-	(47,367)	(47,367)	-
-	3,408,551	3,408,551	-
(6,180,204)	3,408,551	(2,771,653)	-
-	-	-	(191,970)
178,982	-	178,982	-
2,760,006	-	2,760,006	-
94,497	-	94,497	-
261,154	-	261,154	-
11,007	20,919	31,926	-
71,020	91,728	162,748	4,194
-	-	-	(7,491)
2,133,771	(2,133,771)	-	-
5,510,437	(2,021,124)	3,489,313	(3,297)
(669,767)	1,387,427	717,660	(195,267)
10,662,822	8,185,284	18,848,106	3,795,310
\$ 9,993,055	\$ 9,572,711	\$ 19,565,766	\$ 3,600,043

STATE OF NEW MEXICO
City of Truth or Consequences
Balance Sheet
Governmental Funds
June 30, 2011

Exhibit B-1
Page 1 of 2

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ 854,434	\$ 213,683	\$ 941,301	\$ 2,009,418
Restricted cash and cash equivalents	20,845	2,549,074	37	2,569,956
Investments	-	477,443	-	477,443
Receivables:				
Property taxes	27,595	-	-	27,595
Other taxes	423,200	-	-	423,200
Inventory	37,305	-	-	37,305
	<u>\$ 1,363,379</u>	<u>\$ 3,240,200</u>	<u>\$ 941,338</u>	<u>\$ 5,544,917</u>
<i>Total assets</i>				
<i>Liabilities</i>				
Accounts payable	\$ 119,464	\$ -	\$ 10,545	\$ 130,009
Accrued payroll	117,245	-	-	117,245
Deferred revenue	23,321	-	-	23,321
	<u>260,030</u>	<u>-</u>	<u>10,545</u>	<u>270,575</u>
<i>Total liabilities</i>				
<i>Fund balances</i>				
Nonspendable				
Inventory	37,305	-	-	37,305
Spendable				
Restricted for:				
Public safety	-	-	103,931	103,931
Culture and recreation	-	-	174,483	174,483
Transportation and roads	-	-	166,975	166,975
Fire protection	-	-	95,202	95,202
Veteran's Wall	-	-	24,048	24,048
Debt service expenditures	-	3,240,200	-	3,240,200
Capital projects	-	-	366,154	366,154
Committed to:				
Subsequent year's expenditures	811,343	-	-	811,343
Unassigned	254,701	-	-	254,701
	<u>1,103,349</u>	<u>3,240,200</u>	<u>930,793</u>	<u>5,274,342</u>
<i>Total fund balances</i>				
	<u>\$ 1,363,379</u>	<u>\$ 3,240,200</u>	<u>\$ 941,338</u>	<u>\$ 5,544,917</u>
<i>Total liabilities and fund balances</i>				

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Truth or Consequences

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2011

Exhibit B-1

Page 2 of 2

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Fund balances - total governmental funds	\$	5,274,342
Residual balances of the internal service funds are included within the governmental activities and are not reported within the governmental funds		192,925
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		9,647,788
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities		23,321
Certain liabilities, including bonds payable and related components, accrued interest, and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest		(18,249)
Current portion of accrued compensated absences		(199,543)
Bond issuance costs, net of amortization		60,770
Bonds and notes payable		<u>(4,988,299)</u>
Net assets of governmental activities	\$	<u>9,993,055</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, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<i>Revenues</i>				
Taxes:				
Property	\$ 176,838	\$ -	\$ -	\$ 176,838
Gross receipts	2,304,924	227,202	227,880	2,760,006
Gasoline and motor vehicle	22,959	-	71,538	94,497
Other	86,568	-	174,586	261,154
Intergovernmental				
State operating grants	276,118	-	399,032	675,150
State capital grants	-	-	12,269	12,269
Charges for services	47,840	-	47,370	95,210
Licenses and fees	46,801	-	-	46,801
Investment income	224	10,251	532	11,007
Miscellaneous	51,583	-	19,437	71,020
<i>Total revenues</i>	3,013,855	237,453	952,644	4,203,952
<i>Expenditures</i>				
Current:				
General government	1,671,529	607,388	169,987	2,448,904
Public safety	1,395,156	-	287,748	1,682,904
Public works	1,141,046	-	373,330	1,514,376
Culture and recreation	436,978	-	67,557	504,535
Health and welfare	289,413	-	-	289,413
Capital outlay	43,694	792,735	32,710	869,139
Debt service:				
Principal	11,172	195,299	72,941	279,412
Interest	-	188,397	5,705	194,102
<i>Total expenditures</i>	4,988,988	1,783,819	1,009,978	7,782,785
<i>Excess (deficiency) of revenues over expenditures</i>	(1,975,133)	(1,546,366)	(57,334)	(3,578,833)
<i>Other financing sources (uses)</i>				
Transfers in	2,230,000	106,526	43,700	2,380,226
Transfers out	(136,929)	-	(109,526)	(246,455)
<i>Total other financing sources (uses)</i>	2,093,071	106,526	(65,826)	2,133,771
<i>Net change in fund balance</i>	117,938	(1,439,840)	(123,160)	(1,445,062)
<i>Fund balance - beginning of year</i>	985,411	4,680,040	1,053,953	6,719,404
<i>Fund balance - end of year</i>	\$ 1,103,349	\$ 3,240,200	\$ 930,793	\$ 5,274,342

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Truth or Consequences

Governmental Funds

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, 2011

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	(1,445,062)
--	----	-------------

Change in net assets of internal service funds		28,747
--	--	--------

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

Capital expenditures recorded in capital outlay		869,139
Depreciation expense		(329,915)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenue in the funds:

Decrease in deferred revenue related to property taxes receivable		2,144
---	--	-------

Expenses in the Statement of Activities that do not require current financial
resources are not reported as expenditures in the funds:

Increase in accrued compensated absences		(67,700)
Decrease in accrued interest		2,918

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effect of premiums and similar items when debt is first issued, whereas
these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond issuance costs		(9,450)
Principal payments on loans and notes payable		279,412

Change in net assets of governmental activities	\$	<u>(669,767)</u>
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The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

Exhibit C-1

City of Truth or Consequences

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ 128,434	\$ 128,434	\$ 154,549	\$ 26,115
Gross receipts	2,234,388	2,234,388	2,329,123	94,735
Gasoline and motor vehicle	22,983	22,983	23,362	379
Other	98,511	98,511	85,947	(12,564)
Intergovernmental income:				
State operating grant	322,107	322,107	293,087	(29,020)
Charges for services	49,201	49,201	47,840	(1,361)
Licenses and fees	40,584	40,584	46,801	6,217
Investment income	644	644	224	(420)
Miscellaneous	35,618	35,618	80,279	44,661
<i>Total revenues</i>	<u>2,932,470</u>	<u>2,932,470</u>	<u>3,061,212</u>	<u>128,742</u>
<i>Expenditures</i>				
Current:				
General government	1,797,804	1,832,554	1,676,028	156,526
Public safety	1,249,441	1,249,441	1,274,879	(25,438)
Public works	1,157,167	1,157,167	1,130,970	26,197
Culture and recreation	529,984	538,645	433,192	105,453
Health and welfare	-	-	257,184	(257,184)
Capital outlay	204,380	204,380	143,228	61,152
Debt Service:				
Principal	-	-	11,172	(11,172)
<i>Total expenditures</i>	<u>4,938,776</u>	<u>4,982,187</u>	<u>4,926,653</u>	<u>55,534</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,006,306)</u>	<u>(2,049,717)</u>	<u>(1,865,441)</u>	<u>184,276</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(453,694)	(410,283)	-	410,283
Transfers in	2,460,000	2,460,000	2,230,000	(230,000)
Transfers out	-	-	(136,929)	(136,929)
<i>Total other financing sources (uses)</i>	<u>2,006,306</u>	<u>2,049,717</u>	<u>2,093,071</u>	<u>43,354</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>227,630</u>	<u>227,630</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>626,577</u>	<u>626,577</u>
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>21,072</u>	<u>21,072</u>
<i>Fund balance - restated</i>	<u>-</u>	<u>-</u>	<u>647,649</u>	<u>647,649</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 875,279</u>	<u>\$ 875,279</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 227,630	
Adjustments to revenues for property taxes and state operating grants.			(47,357)	
Adjustments to expenditures for salaries and operating expenses.			(62,335)	
Net change in fund balance (GAAP)			<u>\$ 117,938</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Joint Utility Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 2,207,657	\$ 79,414	\$ 9,977
Investments	74,870	-	414,536
Receivables			
Utility receivables, net	1,151,369	41,004	-
Inventory	1,446,050	39,635	-
<i>Total current assets</i>	<u>4,879,946</u>	<u>160,053</u>	<u>424,513</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	2,180,221	-	-
Capital assets	10,958,197	3,007,520	2,562,790
Accumulated depreciation	(7,323,374)	(600,793)	(1,945,438)
<i>Total noncurrent assets</i>	<u>5,815,044</u>	<u>2,406,727</u>	<u>617,352</u>
<i>Total assets</i>	<u>\$ 10,694,990</u>	<u>\$ 2,566,780</u>	<u>\$ 1,041,865</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 223,408	\$ -	\$ -
Accrued payroll expenses	57,413	5,486	-
Accrued compensated absences	116,350	-	-
Customer deposits	159,356	-	-
Accrued interest	69,679	-	-
Current maturity of loans, notes and capital leases payable	252,972	-	71,151
<i>Total current liabilities</i>	<u>879,178</u>	<u>5,486</u>	<u>71,151</u>
<i>Noncurrent liabilities</i>			
Accrued landfill closure costs	-	-	410,685
Bonds Payable	1,530,575	-	-
Leases and notes payable	2,544,100	-	137,391
<i>Total noncurrent liabilities</i>	<u>4,074,675</u>	<u>-</u>	<u>548,076</u>
<i>Total liabilities</i>	<u>4,953,853</u>	<u>5,486</u>	<u>619,227</u>
<i>Net assets</i>			
Invested in capital assets, net of related debt	(692,824)	2,406,727	408,810
Unrestricted	6,433,961	154,567	13,828
<i>Total net assets</i>	<u>5,741,137</u>	<u>2,561,294</u>	<u>422,638</u>
<i>Total liabilities and net assets</i>	<u>\$ 10,694,990</u>	<u>\$ 2,566,780</u>	<u>\$ 1,041,865</u>

The accompanying notes are an integral part of these financial statements

<u>Total Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 46,603	\$ 2,343,651	\$ 99,306
-	489,406	-
-	1,192,373	-
-	1,485,685	93,619
<u>46,603</u>	<u>5,511,115</u>	<u>192,925</u>
-	2,180,221	-
1,249,033	17,777,540	-
(447,994)	(10,317,599)	-
<u>801,039</u>	<u>9,640,162</u>	<u>-</u>
<u>\$ 847,642</u>	<u>\$ 15,151,277</u>	<u>\$ 192,925</u>
\$ -	\$ 223,408	\$ -
-	62,899	-
-	116,350	-
-	159,356	-
-	69,679	-
-	324,123	-
<u>-</u>	<u>955,815</u>	<u>-</u>
-	410,685	-
-	1,530,575	-
-	2,681,491	-
<u>-</u>	<u>4,622,751</u>	<u>-</u>
-	5,578,566	-
801,039	2,923,752	-
<u>46,603</u>	<u>6,648,959</u>	<u>192,925</u>
<u>847,642</u>	<u>9,572,711</u>	<u>192,925</u>
<u>\$ 847,642</u>	<u>\$ 15,151,277</u>	<u>\$ 192,925</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Joint Utility Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>
<i>Operating revenues</i>			
Charges for services	\$ 10,335,620	\$ 198,300	\$ 79,942
<i>Total operating revenues</i>	<u>10,335,620</u>	<u>198,300</u>	<u>79,942</u>
<i>Operating expenses</i>			
General operating	4,690,298	215,628	95,131
Personnel services	1,698,168	98,325	-
Depreciation	200,367	84,625	78,646
<i>Total operating expenses</i>	<u>6,588,833</u>	<u>398,578</u>	<u>173,777</u>
<i>Operating income (loss)</i>	<u>3,746,787</u>	<u>(200,278)</u>	<u>(93,835)</u>
<i>Non-operating revenues (expenses)</i>			
Interest expense	(160,760)	-	(17,062)
Investment income	18,844	21	2,049
Intergovernmental	133,802	28,135	13,944
Miscellaneous income	71,314	17,012	1,884
<i>Total non-operating revenues (expenses)</i>	<u>63,200</u>	<u>45,168</u>	<u>815</u>
<i>Income (loss) before contributions and transfers</i>	<u>3,809,987</u>	<u>(155,110)</u>	<u>(93,020)</u>
Transfers in	800,089	52,730	124,000
Transfers out	(3,154,090)	-	-
<i>Change in net assets</i>	1,455,986	(102,380)	30,980
<i>Total net assets, beginning of year</i>	<u>4,285,151</u>	<u>2,663,674</u>	<u>391,658</u>
<i>Total net assets, end of year</i>	<u>\$ 5,741,137</u>	<u>\$ 2,561,294</u>	<u>\$ 422,638</u>

The accompanying notes are an integral part of these financial statements

<u>Total Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 29,552	\$ 10,643,414	\$ 53,469
<u>29,552</u>	<u>10,643,414</u>	<u>53,469</u>
66,009	5,067,066	24,722
-	1,796,493	-
<u>5,725</u>	<u>369,363</u>	<u>-</u>
<u>71,734</u>	<u>7,232,922</u>	<u>24,722</u>
<u>(42,182)</u>	<u>3,410,492</u>	<u>28,747</u>
-	(177,822)	-
5	20,919	-
-	175,881	-
<u>1,518</u>	<u>91,728</u>	<u>-</u>
<u>1,523</u>	<u>110,706</u>	<u>-</u>
<u>(40,659)</u>	<u>3,521,198</u>	<u>28,747</u>
43,500	1,020,319	-
<u>-</u>	<u>(3,154,090)</u>	<u>-</u>
2,841	1,387,427	28,747
<u>844,801</u>	<u>8,185,284</u>	<u>164,178</u>
<u>\$ 847,642</u>	<u>\$ 9,572,711</u>	<u>\$ 192,925</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Joint Utility Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 10,203,041	\$ 293,533	\$ 91,806
Cash payments to employees for services	65,875	646	-
Cash payments to suppliers for goods and services	<u>(7,229,724)</u>	<u>(360,509)</u>	<u>(95,131)</u>
<i>Net cash provided (used) by operating activities</i>	<u>3,039,192</u>	<u>(66,330)</u>	<u>(3,325)</u>
<i>Cash flows from noncapital financing activities</i>			
Government contributions	133,802	28,135	13,944
Miscellaneous income	71,314	17,012	1,884
Payments of accrued compensated absences	(41,613)	(3,898)	-
Accrued Landfill closure costs	-	-	41,068
Transfers	<u>(2,354,001)</u>	<u>52,730</u>	<u>124,000</u>
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(2,190,498)</u>	<u>93,979</u>	<u>180,896</u>
<i>Cash flows from investing activities</i>			
Acquisition of capital assets	(197,054)	-	(9,878)
Interest on investments	<u>18,844</u>	<u>21</u>	<u>2,049</u>
<i>Net cash provided (used) by investing activities</i>	<u>(178,210)</u>	<u>21</u>	<u>(7,829)</u>
<i>Cash flows from capital and related financing activities</i>			
Interest paid	(151,680)	-	(17,062)
Principal payments on bonds, loans and notes payable	<u>(246,021)</u>	<u>-</u>	<u>(67,672)</u>
<i>Net cash (used) by capital and related financing activities</i>	<u>(397,701)</u>	<u>-</u>	<u>(84,734)</u>
<i>Net increase in cash and cash equivalents</i>	272,783	27,670	85,008
<i>Cash and cash equivalents - beginning of year</i>	<u>4,189,965</u>	<u>51,744</u>	<u>339,505</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 4,462,748</u>	<u>\$ 79,414</u>	<u>\$ 424,513</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ 3,746,787	\$ (200,278)	\$ (93,835)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	200,367	84,625	78,646
Changes in assets and liabilities			
Receivables	(132,579)	95,233	11,864
Prepaid expenses	11,107	-	-
Inventory	(677,859)	(8,497)	-
Accounts payable	(191,010)	(38,059)	-
Accrued payroll expenses	6,519	2,569	-
Accrued compensated absences	59,356	(1,923)	-
Meter deposits	<u>16,504</u>	<u>-</u>	<u>-</u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ 3,039,192</u>	<u>\$ (66,330)</u>	<u>\$ (3,325)</u>

The accompanying notes are an integral part of these financial statements

Total Non-Major Funds	Total	Governmental Activities Internal Service Funds
\$ 28,978	\$ 10,617,358	\$ 53,469
-	66,521	-
(69,188)	(7,754,552)	(24,722)
(40,210)	2,929,327	28,747
574	176,455	-
1,518	91,728	-
-	(45,511)	-
-	41,068	-
43,500	(2,133,771)	-
45,592	(1,870,031)	-
-	(206,932)	-
5	20,919	-
5	(186,013)	-
-	(168,742)	-
-	(313,693)	-
-	(482,435)	-
5,387	390,848	28,747
41,216	4,622,430	70,559
\$ 46,603	\$ 5,013,278	\$ 99,306
\$ (42,756)	\$ 3,409,918	\$ 28,747
5,725	369,363	-
-	(25,482)	-
-	11,107	-
-	(686,356)	-
(3,179)	(232,248)	-
-	9,088	-
-	57,433	-
-	16,504	-
\$ (40,210)	\$ 2,929,327	\$ 28,747

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies

The City of Truth or Consequences (City) was incorporated on July 5, 1945. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public utilities (water, wastewater, and solid waste), health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

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

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

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The government-wide and the proprietary funds financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance for their government-wide financial statements and enterprise funds, subject to the same limitation. The City has elected not to follow the subsequent private sector guidance. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No.'s 14 and 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity (continued)*

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City has one component unit required to be reported under GASB Statements No. 14 and No. 39.

The Truth or Consequences Housing Authority (The Authority) has been determined to be a component unit of the City that should be discretely presented in the City's financial statements pursuant to the criteria described above. The authority was audited by another auditor and has separately issued financial statements and all exhibits, schedules and footnotes are included in their financial statements. The component unit's activities are detailed on Exhibit A-1 and A-2 in the City's financial report. The Authority's separately issued financial statements which 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.

B. *Government-wide and fund financial statements*

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

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

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

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

The *Debt Service Fund* was created to account for the accumulation of resources for, and the repayment of general long-term principal, interest, and related costs of the 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 reports the following proprietary funds as major 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* is used to account 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 provision of solid waste services to the residents of the City and some residents of the County. 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, and billing and collection. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

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

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments: The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectible.

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

Inventory: The City’s method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer recognition of the expenditures until the period in which the inventories actually are consumed. The cost of purchased food is recorded as expenditures at the time individual inventory items are consumed.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

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. There was no interest expense capitalized by the City during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
Equipment	5-25
Infrastructure including golf course and airport	10-50
Vehicles	5-10
Utility plant	20-40

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue (voluntary nonexchange transactions) be recognized as revenue in the government-wide financial statements when all eligibility requirements have been met and recognized as revenue in the governmental fund financial statements based on the same factors subject to the availability criterion. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 60 days after year end.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Vacation Pay – Each employee of the City may accumulate a total of thirteen to twenty-six days of vacation per year. Employees may accumulate up to thirty days of vacation and carry leave forward from calendar year to calendar year. Upon termination, employees will be paid up to thirty days of accrued vacation pay 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.

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

Sick Leave – Each employee of the City may accumulate a total of thirteen days of sick leave per year. Sick leave can be carried forward from calendar year to calendar year. Upon separation of employment, an employee with five or more continuous years of service will be compensated for one third of the first 480 accrued sick leave hours for a total of 160 hours. Employees with less than five years of continuous service forfeit all accrued sick leave at separation of employment. Employees cannot donate sick leave at time of separation.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Balance Classification Policies and Procedures: For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is the City Council.

For assigned fund balance, the City Council or an official or body to which the City Council delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Nonspendable Fund Balance: At June 30, 2011, the nonspendable fund balance of the City is comprised of inventory in the general fund in the amount of \$37,305 which is not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2011, the restricted fund balance on the governmental funds balance sheet is made up of \$103,931 for public safety, \$174,483 for culture and recreation, \$166,975 for transportation and roads, \$95,202 for fire protection, \$ 24,048 for Veteran's Wall, \$3,240,200 for debt services expenditures, \$366,154 for capital projects, and \$811,343 for subsequent year's expenditures.

Minimum Fund Balance Policy: The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. The City has not developed a policy for maintaining a minimum amount of fund balance as of June 30, 2011.

Net Assets: Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt: Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets: Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets restricted for "special revenue, debt service, and capital projects" are described on pages 31 and 58-59.
- c. Unrestricted Net Assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City's financial statements include the allowance for uncollectible accounts in the joint utility fund and depreciation on capital assets.

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

Proprietary fund budgets are prepared on the cash basis. The City does not budget for depreciation expense, only capital outlay.

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

	<u>Excess (deficiency) of revenues over expenditures</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
General Fund	\$ (2,006,306)	\$(2,049,717)
Debt Service Fund	\$ (119,444)	\$ (89,444)
Nonmajor Governmental Funds	\$ (111,428)	\$ (34,128)

	<u>Change in Net Assets</u>	
Budgeted Funds:		
Joint Utility	\$ (3,423,005)	\$(3,422,505)
Airport	\$ 224,615	\$ 222,415
Solid Waste	\$ 15,989	\$ 39,218
Nonmajor Proprietary Funds	\$ (74,438)	\$ 41,762

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments

Section 22-8-40, NMSA 1978 authorizes the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2011.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized by the financial institution as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state were insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on non-interest bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts.

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2011, \$7,280,940 of the City's bank balance of \$7,780,940 was subject to custodial credit risk. \$6,349,808 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name. \$931,132 of the City's deposits was uninsured and uncollateralized at June 30, 2011.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

	Bank of the Southwest	Compass Bank	Total
Amount of deposits	\$ 5,099,180	\$ 2,681,760	\$ 7,780,940
Demand deposits covered by the FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>4,849,180</u>	<u>2,431,760</u>	<u>7,280,940</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	3,918,048	2,431,760	6,349,808
Uninsured and uncollateralized	<u>\$ 931,132</u>	<u>\$ -</u>	<u>\$ 931,132</u>
Collateral requirement (50% of uninsured funds)	\$ 2,424,590	\$ 1,215,880	\$ 3,640,470
Pledged Collateral	3,918,048	2,438,278	6,356,326
Over (Under) collateralized	<u>\$ 1,493,458</u>	<u>\$ 1,222,398</u>	<u>\$ 2,715,856</u>

The collateral pledged is listed on Schedule II in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, City or political subdivision of the State of New Mexico.

Investments

The City has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of New York Mellon Trust Co., N.A with New Mexico Finance Authority (NMFA) loans. Also, the City has investments which are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the City.

The City's investments at June 30, 2011 include the following:

Investments	Rated	Weighted Average Maturity	Fair Value
U.S Treasury Money Market Mutual Funds	* AAA	>365 days	\$ 2,518,932
New Mexico State Treasurer Debt Service	* N/A	N/A	51,024

*Restricted cash and cash equivalents per Exhibit A-1

Interest Rate Risk – Investments. 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.

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in the New Mexico State Treasurer Debt Service and U.S Treasury Money Market Mutual Funds represent 98% and 2%, respectively, of the investment portfolio. Since the City only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the City. The City's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Assets

The carrying amount of deposits and investments shown above are included in the City's Statement of Net Assets as follows:

Cash and cash equivalents per Exhibit A-1	\$ 4,452,375
Investments per Exhibit A-1	966,849
Restricted cash and cash equivalents per Exhibit A-1	<u>4,750,177</u>
 Total deposits and investments	 10,169,401
Plus: outstanding checks	205,742
Less outstanding deposits	(22,947)
Less: U.S. Treasury Money Market Mutual Fund	(2,518,932)
Less: State Treasurer Debt Service	(51,024)
Less: petty cash	<u>(1,300)</u>
 Bank balance of deposits	 <u><u>\$ 7,780,940</u></u>

NOTE 4. Receivables

Receivables as of June 30, 2011, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 27,595	\$ -	\$ -	\$ 27,595
Other taxes:				
Gross receipts taxes	400,273	-	-	400,273
Gasoline and oil taxes	5,540	-	-	5,540
Franchise and lodgers taxes	<u>17,387</u>	<u>-</u>	<u>-</u>	<u>17,387</u>
 Totals	 <u><u>\$ 450,795</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 450,795</u></u>

Receivables for governmental activities are considered to be 100% collectible.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Deferred revenue related to property taxes receivable for the City for the year ended June 30, 2011 was \$23,321.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 4. Receivables (continued)

Proprietary fund receivables as of June 30, 2011, are as follows:

	<u>Joint Utility</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Total</u>
Accounts	\$ 1,279,299	\$ 41,004	\$ -	\$ 1,320,303
Less: Allowance for uncollectible accounts	<u>(127,930)</u>	<u>-</u>	<u>-</u>	<u>(127,930)</u>
Totals	<u>\$ 1,151,369</u>	<u>\$ 41,004</u>	<u>-</u>	<u>\$ 1,192,373</u>

NOTE 5. Transfers and Interfund Receivables

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Joint Utility Proprietary Fund	General Fund	\$ 2,230,000
Joint Utility Proprietary Fund	Solid Waste Proprietary Fund	124,000
Joint Utility Proprietary Fund	Joint Utility Proprietary Fund	800,089
General Fund	Golf Course Proprietary Fund	43,500
General Fund	Airport Proprietary Fund	52,730
General Fund	Veterans Wall Special Revenue Fund	24,200
General Fund	Capital Expenditures Capital Projects Fund	16,500
DWI Grant Special Revenue Fund	DWI Grant Special Revenue Fund	3,000
Municipal Streets Special Revenue Fund	Debt Service Fund	<u>106,526</u>
Total		<u>\$ 3,400,545</u>

The City does not pool their cash and therefore the City did not have any internal balances as of June 30, 2011.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2011 follows. Land and construction in progress are not subject to depreciation.

Governmental Activities:

	Balance June 30, 2010	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 4,718,680	\$ -	\$ -	\$ 4,718,680
Construction in progress	-	-	-	-
	<u>4,718,680</u>	<u>-</u>	<u>-</u>	<u>4,718,680</u>
Capital assets being depreciated:				
Buildings and improvements	8,154,100	-	-	8,154,100
Equipment	2,208,337	-	-	2,208,337
Infrastructure	1,496,523	787,333	-	2,283,856
Vehicles	1,490,189	81,806	-	1,571,995
	<u>13,349,149</u>	<u>869,139</u>	<u>-</u>	<u>14,218,288</u>
Total capital assets	<u>18,067,829</u>	<u>869,139</u>	<u>-</u>	<u>18,936,968</u>
Accumulated depreciation:				
Buildings and improvements	6,118,494	88,947	-	6,207,441
Equipment	1,464,259	135,221	-	1,599,480
Infrastructure	88,473	37,413	-	125,886
Vehicles	1,288,039	68,334	-	1,356,373
	<u>8,959,265</u>	<u>329,915</u>	<u>-</u>	<u>9,289,180</u>
Net Capital Assets	<u>\$ 9,108,564</u>	<u>\$ 539,224</u>	<u>\$ -</u>	<u>\$ 9,647,788</u>

Depreciation expense for the year ended June 30, 2011 was charged to governmental activities as follows:

Total by Function	
General government	\$ 60,907
Public safety	78,409
Public works	61,951
Culture and recreation	105,258
Health and welfare	23,390
Total	<u>\$ 329,915</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 6. Capital Assets (continued)

Business-type Activities:

	Balance June 30, 2010	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 1,755,406	\$ -	\$ -	\$ 1,755,406
Construction in progress	41,746	-	-	41,746
	<u>1,797,152</u>	<u>-</u>	<u>-</u>	<u>1,797,152</u>
Capital assets being depreciated:				
Buildings and improvements	1,740,802	30,024	-	1,770,826
Utility Plant	6,286,424	-	1,860	6,284,564
Golf course infrastructure	-	-	(1,860)	1,860
Airport infrastructure	2,440,338	-	-	2,440,338
Equipment	3,550,856	147,886	59,947	3,638,795
Vehicles	1,755,036	29,022	(59,947)	1,844,005
	<u>15,773,456</u>	<u>206,932</u>	<u>-</u>	<u>15,980,388</u>
Total capital assets	<u>17,570,608</u>	<u>206,932</u>	<u>-</u>	<u>17,777,540</u>
Accumulated depreciation:				
Buildings and improvements	1,171,106	25,209	-	1,196,315
Utility Plant	4,041,266	113,270	-	4,154,536
Golf course infrastructure	-	-	-	-
Airport infrastructure	191,049	72,208	-	263,257
Equipment	3,015,804	85,058	-	3,100,862
Vehicles	1,529,011	73,618	-	1,602,629
	<u>9,948,236</u>	<u>369,363</u>	<u>-</u>	<u>10,317,599</u>
Net Book Value	<u>\$ 7,622,372</u>	<u>\$ (162,431)</u>	<u>\$ -</u>	<u>\$ 7,459,941</u>
Joint Utility Fund	\$ 200,367			
Airport Fund	84,625			
Solid Waste Fund	78,646			
Cemetery Fund	1,051			
Golf Course Fund	4,674			
Total	<u>\$ 369,363</u>			

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

Governmental Activities	Balance			Balance	
	June 30, 2010	Additions	Deletions	June 30, 2011	Due Within One Year
Leases Payable					
Key Equipment Finance - Front end loader tractor	\$ 38,627	\$ -	\$ 14,915	\$ 23,712	\$ 15,638
John Deere Credit - tractor with loader	21,251	-	17,002	4,249	4,249
John Deere Credit - tractor with loader	9,064	-	7,199	1,865	1,865
Government Capital Corporation	39,305	-	11,402	27,903	27,903
Fleetwood Financial - dictaphone	11,172	-	11,172	-	-
Total Leases Payable	<u>119,419</u>	<u>-</u>	<u>61,690</u>	<u>57,729</u>	<u>49,655</u>
NMFA Loans- Notes Payable					
NMFA Construction & Repairs of Streets and Sidewalks	2,046,949	-	32,816	2,014,133	78,650
NMFA Refinance Improvement Bonds	2,838,802	-	150,000	2,688,802	155,000
NMFA Fire Equipment	45,162	-	22,423	22,739	22,739
NMFA Police Department Building	217,379	-	12,483	204,896	12,601
Total NMFA Loans- Notes Payable	<u>5,148,292</u>	<u>-</u>	<u>217,722</u>	<u>4,930,570</u>	<u>268,990</u>
Compensated Absences	131,843	288,108	220,408	199,543	199,543
Total Long-term debt	<u>\$ 5,399,554</u>	<u>\$ 288,108</u>	<u>\$ 499,820</u>	<u>\$ 5,187,842</u>	<u>\$ 518,188</u>

Leases Payable

The lease purchases payable are composed of the following:

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.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 15,638	\$ 758	\$ 16,396
2013	8,074	108	8,182
	<u>\$ 23,712</u>	<u>\$ 866</u>	<u>\$ 24,578</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

0% lease purchase payable for purchase of a tractor with loader, due in monthly payments of \$1,379 through September 2011, payable to John Deere Credit.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2012	<u>\$ 4,249</u>	<u>\$ -</u>	<u>\$ 4,249</u>
	<u><u>\$ 4,249</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,249</u></u>

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.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2012	<u>\$ 1,865</u>	<u>\$ 18</u>	<u>\$ 1,883</u>
	<u><u>\$ 1,865</u></u>	<u><u>\$ 18</u></u>	<u><u>\$ 1,883</u></u>

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.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2012	<u>\$ 27,903</u>	<u>\$ 1,132</u>	<u>\$ 29,035</u>
	<u><u>\$ 27,903</u></u>	<u><u>\$ 1,132</u></u>	<u><u>\$ 29,035</u></u>

NMFA Loans- Notes Payable

On October 13, 2009, the City borrowed \$2,046,949 from the New Mexico Finance Authority. The note matures on May 1, 2030, and accrues interest at 3.699% per annum. The proceeds of the loan will be used for constructing, repairing and improving various streets, alleys, sidewalks and curbs within the City, including rehabilitation, repaving and drainage improvements. The payments of principal and interest are paid from the first increment of one-quarter of one percent (0.25%) of municipal gross receipts tax, dedicated to the general fund.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the NMFA loan as of June 30, 2011, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 78,650	\$ 67,786	\$ 146,436
2013	83,891	66,745	150,636
2014	85,241	65,395	150,636
2015	86,878	63,758	150,636
2016	88,763	61,873	150,636
2017-2021	480,557	272,623	753,180
2022-2026	567,659	185,521	753,180
2027-2030	542,494	59,972	602,466
	<u>\$ 2,014,133</u>	<u>\$ 843,673</u>	<u>\$ 2,857,806</u>

On January 23, 2010, 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 NMFA loan as of June 30, 2011, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 155,000	\$ 108,795	\$ 263,795
2013	155,000	104,812	259,812
2014	155,000	100,301	255,301
2015	160,000	95,450	255,450
2016	165,000	90,138	255,138
2017-2021	613,236	378,972	992,208
2022-2026	753,401	238,809	992,210
2027-2029	532,165	52,573	584,738
	<u>\$ 2,688,802</u>	<u>\$ 1,169,850</u>	<u>\$ 3,858,652</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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the NMFA loan as of June 30, 2011, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2012	<u>\$ 22,739</u>	<u>\$ 273</u>	<u>\$ 23,012</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 NMFA loan as of June 30, 2011, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2012	\$ 12,601	\$ 2,055	\$ 14,656
2013	12,725	1,962	14,687
2014	12,853	1,866	14,719
2015	12,988	1,763	14,751
2016	13,131	1,653	14,784
2017-2021	68,002	6,416	74,418
2022-2026	<u>72,596</u>	<u>2,695</u>	<u>75,291</u>
	<u>\$ 204,896</u>	<u>\$ 18,410</u>	<u>\$ 223,306</u>

In prior years, the debt service funds have typically been used to liquidate long-term liabilities.

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2011, compensated absences increased \$67,700 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2011:

Business-Type Activities	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Revenue Bonds					
Series 1998 US Dept of Agriculture - utility system 91-04	\$ 249,075	\$ -	\$ 5,000	\$ 244,075	\$ 5,000
Series 1996 US Dept of Agriculture - Extension & Improvements utility system	805,000	-	17,000	788,000	18,000
Series 1996 US Dept of Agriculture - Extension & Improvements utility system	543,500	-	11,000	532,500	11,000
Total Revenue Bonds	<u>1,597,575</u>	<u>-</u>	<u>33,000</u>	<u>1,564,575</u>	<u>34,000</u>
Lease Purchase Payable					
John Deere Credit - waste handler truck	180,908	-	37,395	143,513	39,406
Kansas State Bank - side loader refuse truck	95,306	-	30,277	65,029	31,745
Total Lease Purchase Payable	<u>276,214</u>	<u>-</u>	<u>67,672</u>	<u>208,542</u>	<u>71,151</u>
Loans Payable					
NMFA Storage Tanks	1,140,791	-	91,298	1,049,493	93,566
NMFA Low voltage feeder line	1,258,028	-	70,979	1,187,049	73,140
NM Environment Department - utility system	239,742	-	26,961	212,781	27,769
NM Environment Department - utility system 95-16	337,532	-	23,783	313,749	24,497
Total Loans Payable	<u>2,976,093</u>	<u>-</u>	<u>213,021</u>	<u>2,763,072</u>	<u>218,972</u>
Landfill Closure and post closure	369,617	41,068	-	410,685	-
Compensated Absences	104,428	137,921	125,999	116,350	116,350
Total Long-term debt	<u>\$ 5,323,927</u>	<u>\$ 178,989</u>	<u>\$ 439,692</u>	<u>\$ 5,063,224</u>	<u>\$ 440,473</u>

Revenue Bonds

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the revenue bonds as of June 30, 2011, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 5,000	\$ 16,594	\$ 21,594
2013	5,000	16,356	21,356
2014	5,000	16,119	21,119
2015	5,000	15,881	20,881
2016	6,000	1,664	7,664
2017-2021	33,000	81,800	114,800
2022-2026	42,000	82,108	124,108
2027-2031	52,000	81,183	133,183
2032-2036	66,000	81,598	147,598
2037-2038	25,075	26,745	51,820
	<u>\$ 244,075</u>	<u>\$ 420,048</u>	<u>\$ 664,123</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 requirements to amortize the revenue bonds as of June 30, 2011, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 18,000	\$ 35,460	\$ 53,460
2013	18,000	34,650	52,650
2014	19,000	33,840	52,840
2015	20,000	32,985	52,985
2016	21,000	32,085	53,085
2017-2021	120,000	145,350	265,350
2022-2026	150,000	115,830	265,830
2027-2031	187,000	78,885	265,885
2032-2036	235,000	32,850	267,850
	<u>\$ 788,000</u>	<u>\$ 541,935</u>	<u>\$ 1,329,935</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (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 requirements to amortize the revenue bonds as of June 30, 2011, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 11,000	\$ 23,963	\$ 34,963
2013	12,000	23,468	35,468
2014	12,000	22,928	34,928
2015	13,000	22,388	35,388
2016	13,000	21,803	34,803
2017-2021	77,000	99,473	176,473
2022-2026	95,000	80,663	175,663
2027-2031	120,000	57,038	177,038
2032-2036	148,000	27,653	175,653
2037	31,500	1,418	32,918
	<u>\$ 532,500</u>	<u>\$ 380,795</u>	<u>\$ 913,295</u>

Lease Purchase Payable

5.25% lease purchase payable for purchase of a waste handler truck, due in monthly payments of \$3,833, including interest, through February 2013, payable to John Deere Credit.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 39,406	\$ 6,595	\$ 46,001
2013	104,107	3,562	107,669
	<u>\$ 143,513</u>	<u>\$ 10,157</u>	<u>\$ 153,670</u>

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.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 31,745	\$ 3,154	\$ 34,899
2013	33,284	1,614	34,898
	<u>\$ 65,029</u>	<u>\$ 4,768</u>	<u>\$ 69,797</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

Loans Payable

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 requirements to amortize the loan payable as of June 30, 2011, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 93,566	\$ 24,033	\$ 117,599
2013	95,902	21,938	117,840
2014	98,306	19,779	118,085
2015	100,781	17,555	118,336
2016	103,330	15,265	118,595
2017-2021	<u>557,608</u>	<u>39,480</u>	<u>597,088</u>
	<u>\$ 1,049,493</u>	<u>\$ 140,745</u>	<u>\$ 1,190,238</u>

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 payable as of June 30, 2011, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 73,140	\$ 42,812	\$ 115,952
2013	75,484	40,657	116,141
2014	78,011	38,325	116,336
2015	80,703	35,835	116,538
2016	83,583	33,163	116,746
2017-2021	467,677	119,475	587,152
2022-2024	<u>328,451</u>	<u>22,527</u>	<u>350,978</u>
	<u>\$ 1,187,049</u>	<u>\$ 332,794</u>	<u>\$ 1,519,843</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

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 requirements to amortize the loan payable as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 27,769	\$ 6,383	\$ 34,152
2013	28,602	5,550	34,152
2014	29,460	4,692	34,152
2015	30,344	3,808	34,152
2016	31,255	2,898	34,153
2017-2018	65,351	2,956	68,307
	<u>\$ 212,781</u>	<u>\$ 28,982</u>	<u>\$ 241,763</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 requirements to amortize the loan payable as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 24,497	\$ 9,412	\$ 33,909
2013	25,232	8,678	33,910
2014	25,989	7,921	33,910
2015	26,768	7,141	33,909
2016	27,571	6,338	33,909
2017-2021	150,771	18,775	169,546
2022	32,921	988	33,909
	<u>\$ 313,749</u>	<u>\$ 59,253</u>	<u>\$ 373,002</u>

In prior years, the debt service funds have typically been used to liquidate long-term liabilities.

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2011, compensated absences increased \$11,922 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

STATE OF NEW MEXICO
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Notes to the Financial Statements
June 30, 2011

NOTE 8. Risk Management

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The City participates in the New Mexico Self-Insurers' Fund risk pool.

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

At June 30, 2011, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City of Truth or Consequences.

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

NOTE 9. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. There were no funds with a deficit fund balance as of June 30, 2011.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2011:
- C. Designated cash appropriations in excess of available balances. There were no funds that had designated cash appropriations in excess of available balances for the year ended June 30, 2011.

NOTE 10. Pension Plan- Public Employees Retirement Association

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 retirement 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.

Funding Policy. Plan members are required to contribute the following percentages of their gross salary: 9.15% for law enforcement, fire protection and municipal employees. The City is required to contribute the following percentages of the gross covered salary: 25.65% for law enforcement employees, 28.30% for fire protection employees, and 13.15% for municipal employees. 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 years ending June 30, 2011, 2010 and 2009 were \$316,263 \$307,348, and \$316,527, respectively, which equals the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment 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 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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee’s annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are 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 contribution to the RHCA for the years ended June 30, 2011, 2010, and 2009 were \$77,558, \$39,157, and \$40,532, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
City of Truth or Consequences
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June 30, 2011

NOTE 12. Contingent Liabilities

There is not any pending litigation that would warrant disclosure in the notes to the financial statements.

NOTE 13. Federal and State Grants

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

NOTE 14. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$410,685 as of June 30, 2011 which is based on 70 percent usage (filled) of the landfill. There are no further estimated costs that will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is currently expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$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, 2011. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE 15. Construction and Other Significant Commitments

The City does not have any significant construction or other significant commitments as of June 30, 2011.

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2011, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is November 28, 2011 which is the date on which the financial statements were issued.

On August 11, 2011 the City entered into a loan/grant agreement with New Mexico Finance Authority. The amount of the loan will be \$256,000 and grant received will be \$1,024,000. The purpose is to construct and rehabilitate a water storage and conveyance project. Loan matures in May 2032. The loan portion of the project will have a 9% interest rate

NOTE 17. Restricted Net Assets

The government-wide statement of net assets reports \$3,701,424 of restricted net assets, all of which is restricted by enabling legislation. See pages 39, 66 and 67 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

NOTE 18. Concentrations

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

STATE OF NEW MEXICO
City of Truth or Consequences
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June 30, 2011

NOTE 19. Budgetary Basis Restatement

Beginning fund balance on the budgetary basis for the General Fund, Debt Service Fund, and Fire Protection Fund were restated due to recording of NMFA cash in the prior year, which was not included in the ending fund balance on the cash basis. Total restatement was \$4,323,648.

NOTE 20. Joint Powers Agreement

The City is a participant in a joint powers agreement with the Sierra County, the Village of Williamsburg, and the City of Elephant Butte wherein all parties agree to provide intergovernmental cooperation between each participant for the centralized dispatching of area law enforcement and emergency services, and to allow entry by other subdivisions or municipal corporations. The parties to the agreement are responsible each for a base amount of \$200,000 annually, but shall be negotiated. The agreement was entered into on June 22, 2010 and will remain in full force until by mutual agreement of the parties or by written notice by one party to the other giving 30 day notice of cancellation. Each party is responsible for the audit of its own related expenditures.

The City is a participant in a joint powers agreement with the Sierra County, the Village of Williamsburg, and the City of Elephant Butte wherein all parties agree to provide and maintain an adequate health care facility, including acute care hospital within the County. The City is responsible for 3/16% gross receipts tax, pledged for operations. The pledge shall not exceed 20 years.. The agreement was entered into on August 9, 2009 and will remain in full force until by mutual agreement of the parties or by written notice by one party to the other giving 30 day notice of cancellation. Each party is responsible for the audit of its own related expenditures.

The City is a participant in a joint powers agreement with the New Mexico Spaceport Authority wherein both parties agree to provide services for the reconstruction, administration, and use for the Spaceport related activities. The City is responsible for \$175,000 contribution for environmental remediation. The agreement was entered into on October 29, 2009 and will remain in full force for one year unless mutually agreed by both parties to extend to a possible of five to thirty years. The agreement can be terminated upon 30 days of written notice. Each party is responsible for the audit of its own related expenditures.

The City is a participant in a joint powers agreement with the New Mexico Energy, Minerals and Natural Resources Department wherein the EMNRD is responsible for administering federal funds under the Federal Highway Administration Recreational Trails Programs and the City is responsible for building, beautifying, and improving public parks and acquiring any property for park purposes. The City is responsible for \$23,500 of a required match. The agreement was entered into on April 28, 2009 and will remain in full force until August 24, 2013. The agreement can be terminated upon 10 days of written notice. Each party is responsible for the audit of its own related expenditures.

The City is a participant in a joint powers agreement with the Truth or Consequences Municipal School District wherein the City is to install a new sidewalk along school roads of the District. The City is responsible for labor, supplies and materials of the project. The sidewalk will remain property of the City upon completion. The agreement was entered into on October 8, 2009 and will remain in full force until completion. The agreement can be terminated upon 30days of written notice.

The City is a participant in a joint powers agreement with the Sierra Joint Office on Aging wherein the City is to provide for a method to allow the SJOA to secure grant funds to construct a new senior recreation and meal site on City property. The City is responsible for labor, supplies and materials of the project. The renovations will remain property of the City upon completion. The agreement was entered into on March 10, 2009 and will remain in full force for one year with option of renewal. The agreement can be terminated upon 30days of written notice.

The City is a participant in a joint powers agreement with the Village of Williamsburg for police services such as criminal activity and protecting the citizens from crime. The City is responsible \$40,000. The renovations will remain property of the City upon completion. The agreement was entered into on October 14, 2010 and will remain in full force for three years unless early termination by either party with 30 days written notice.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2011

NOTE 21. Subsequent Pronouncements

In November 2010, GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The standard is expected to have no effect on the City in upcoming years.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The City will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the City in upcoming years.

In June 2011, GASB Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the City in upcoming years.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental and Proprietary Funds
June 30, 2011

SPECIAL REVENUE FUNDS

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

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

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

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

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

MUNICIPAL STREETS FUND – To account for various street projects funded by cooperative agreements with the New Mexico State Department of Transportation. The fund is authorized by Section 7-1-6.27, NMSA 1978.

DWI GRANT FUND- To account for the monies appropriated by the New Mexico Legislature under House Bill 108 to help combat driving while intoxicated. This fund was authorized by the City Commission.

STATE LIBRARY FUND – To account for a local grant and private donations for the operations of the public City library. This fund is authorized by NMSL Rule 92-1.

VETERAN'S WALL PERPETUAL CARE FUND- To account for monies related to the columbarium for the Veteran's Memorial Park owned by the City. This fund was authorized by the City Commission.

FEDERAL SEIZURES SHARE FUND- To account for federal receipts and disbursements for capital assets and other allowable expenses within the police department. This fund was authorized by the City Commission.

CAPITAL PROJECTS FUNDS

SENIOR TRANSPORTATION FUND – To account for monies appropriated for the meal site center for city residents. This fund is authorized by Section 13-1-59, NMSA 1978.

CAPITAL EXPENDITURES FUND- To account for monies related to upgrades and improvements for the senior meal sites as approved by the City Commission. This fund was authorized by the City Commission.

MORGAN STREET FLOOD CONTROL- To account for monies related to the Morgan Street Project- a project to construct a 100 year dam as approved by the City Commission. This fund was authorized by the City Commission.

R & R EMERGENCY FUND- To account for the accumulation of resources to be used in the event of an emergency with construction expenditures in mind. This fund was authorized by the City Commission.

VETERAN'S WALL FUND- To account for monies related to the Veteran's Memorial Park owned by the City. This fund was authorized by the City Commission.

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental and Proprietary Funds
June 30, 2011

CAPITAL PROJECTS FUNDS (Continued)

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

PROPRIETARY FUNDS

CEMETERY FUND – To account 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.

GOLF COURSE FUND – To account 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.

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

Special Revenue

	<u>Fire Protection Fund</u>	<u>Recreation Fund</u>	<u>Correction Fees Fund</u>	<u>Law Enforcement Protection Fund</u>
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ 95,165	\$ 33,640	\$ 5,396	\$ 2,911
Restricted cash and cash equivalents	37	-	-	-
Investments	-	-	-	-
<i>Total assets</i>	<u>\$ 95,202</u>	<u>\$ 33,640</u>	<u>\$ 5,396</u>	<u>\$ 2,911</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	5,396	2,911
Culture and recreation	-	33,640	-	-
Transportation and roads	-	-	-	-
Fire protection	95,202	-	-	-
Veteran's Wall	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Committed to:				
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>95,202</u>	<u>33,640</u>	<u>5,396</u>	<u>2,911</u>
<i>Total liabilities and fund balances</i>	<u>\$ 95,202</u>	<u>\$ 33,640</u>	<u>\$ 5,396</u>	<u>\$ 2,911</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Lodger's Tax Fund	Municipal Streets Fund	DWI Grant Fund	State Library Fund	Veteran's Wall Perpetual Care Fund	Federal Seizures Share Fund
\$ 126,557	\$ 167,620	\$ 105,132	\$ 14,286	\$ 23,204	\$ 392
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 126,557</u>	<u>\$ 167,620</u>	<u>\$ 105,132</u>	<u>\$ 14,286</u>	<u>\$ 23,204</u>	<u>\$ 392</u>
\$ -	\$ 645	\$ 9,900	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	645	9,900	-	-	-
-	-	-	-	-	-
126,557	-	95,232	14,286	-	392
-	166,975	-	-	-	-
-	-	-	-	-	-
-	-	-	-	23,204	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>126,557</u>	<u>166,975</u>	<u>95,232</u>	<u>14,286</u>	<u>23,204</u>	<u>392</u>
<u>\$ 126,557</u>	<u>\$ 167,620</u>	<u>\$ 105,132</u>	<u>\$ 14,286</u>	<u>\$ 23,204</u>	<u>\$ 392</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

Capital Projects

	Senior Transportation Fund	Capital Expenditures Fund	Morgan Street Flood Control Fund	R & R Emergency Fund
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ 88,337	\$ 2,342	\$ 214,349	\$ 59,007
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
<i>Total assets</i>	<u>\$ 88,337</u>	<u>\$ 2,342</u>	<u>\$ 214,349</u>	<u>\$ 59,007</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Fire protection	-	-	-	-
Veteran's Wall	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	88,337	2,342	214,349	59,007
Committed to:				
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>88,337</u>	<u>2,342</u>	<u>214,349</u>	<u>59,007</u>
<i>Total liabilities and fund balances</i>	<u>\$ 88,337</u>	<u>\$ 2,342</u>	<u>\$ 214,349</u>	<u>\$ 59,007</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>		
<u>Veteran's Wall Fund</u>	<u>CDBG Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 844	\$ 2,119	\$ 941,301
-	-	37
-	-	-
<u>\$ 844</u>	<u>\$ 2,119</u>	<u>\$ 941,338</u>
\$ -	\$ -	\$ 10,545
-	-	-
-	-	-
-	-	10,545
-	-	103,931
-	-	174,483
-	-	166,975
-	-	95,202
844	-	24,048
-	-	-
-	2,119	366,154
-	-	-
-	-	-
<u>844</u>	<u>2,119</u>	<u>930,793</u>
<u>\$ 844</u>	<u>\$ 2,119</u>	<u>\$ 941,338</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

	Special Revenue			
	Fire Protection Fund	Recreation Fund	Correction Fees Fund	Law Enforcement Protection Fund
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	678	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	614	-	-
Intergovernmental				
State operating grants	108,522	-	-	27,450
State capital grants	-	-	-	-
Charges for services	-	16,451	11,961	-
Investment income	134	34	-	-
Miscellaneous	9	-	-	-
<i>Total revenues</i>	<u>108,665</u>	<u>17,777</u>	<u>11,961</u>	<u>27,450</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	79,168	-	8,946	22,704
Public works	-	-	-	-
Culture and recreation	-	19,594	-	-
Capital outlay	-	-	-	25,047
Debt service:				
Principal	22,423	-	-	-
Interest	532	-	-	-
<i>Total expenditures</i>	<u>102,123</u>	<u>19,594</u>	<u>8,946</u>	<u>47,751</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>6,542</u>	<u>(1,817)</u>	<u>3,015</u>	<u>(20,301)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	6,542	(1,817)	3,015	(20,301)
<i>Fund balances - beginning of year</i>	<u>88,660</u>	<u>35,457</u>	<u>2,381</u>	<u>23,212</u>
<i>Fund balances - end of year</i>	<u>\$ 95,202</u>	<u>\$ 33,640</u>	<u>\$ 5,396</u>	<u>\$ 2,911</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Lodger's Tax Fund	Municipal Streets Fund	DWI Grant Fund	State Library Fund	Veteran's Wall Perpetual Care Fund	Federal Seizures Share Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	227,202	-	-	-	-
-	71,538	-	-	-	-
173,972	-	-	-	-	-
6,186	32,939	151,490	8,648	-	-
-	-	-	-	-	-
-	-	11,983	-	6,975	-
132	224	-	-	-	-
6,750	10,435	-	1,692	-	-
<u>187,040</u>	<u>342,338</u>	<u>163,473</u>	<u>10,340</u>	<u>6,975</u>	<u>-</u>
169,987	-	-	-	-	-
-	-	176,930	-	-	-
-	277,674	-	-	-	-
-	-	-	18,065	95	-
-	-	-	-	-	-
35,603	14,915	-	-	-	-
2,312	2,861	-	-	-	-
<u>207,902</u>	<u>295,450</u>	<u>176,930</u>	<u>18,065</u>	<u>95</u>	<u>-</u>
<u>(20,862)</u>	<u>46,888</u>	<u>(13,457)</u>	<u>(7,725)</u>	<u>6,880</u>	<u>-</u>
-	-	3,000	-	-	-
-	(106,526)	(3,000)	-	-	-
-	(106,526)	-	-	-	-
(20,862)	(59,638)	(13,457)	(7,725)	6,880	-
<u>147,419</u>	<u>226,613</u>	<u>108,689</u>	<u>22,011</u>	<u>16,324</u>	<u>392</u>
<u>\$ 126,557</u>	<u>\$ 166,975</u>	<u>\$ 95,232</u>	<u>\$ 14,286</u>	<u>\$ 23,204</u>	<u>\$ 392</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

Capital Projects

	Senior Transportation Fund	Capital Expenditures Fund	Morgan Street Flood Control Fund	R & R Emergency Fund
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
State operating grants	-	-	62,979	-
State capital grants	-	-	12,269	-
Charges for services	-	-	-	-
Investment income	-	8	-	-
Miscellaneous	-	501	-	-
<i>Total revenues</i>	<u>-</u>	<u>509</u>	<u>75,248</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	18,803	76,853	-
Culture and recreation	-	-	-	-
Capital outlay	-	7,663	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>26,466</u>	<u>76,853</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(25,957)</u>	<u>(1,605)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	16,500	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>16,500</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	(9,457)	(1,605)	-
<i>Fund balances - beginning of year</i>	<u>88,337</u>	<u>11,799</u>	<u>215,954</u>	<u>59,007</u>
<i>Fund balances - end of year</i>	<u>\$ 88,337</u>	<u>\$ 2,342</u>	<u>\$ 214,349</u>	<u>\$ 59,007</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>		
<u>Veteran's Wall Fund</u>	<u>CDBG Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -
-	-	227,880
-	-	71,538
-	-	174,586
-	818	399,032
-	-	12,269
-	-	47,370
-	-	532
50	-	19,437
<u>50</u>	<u>818</u>	<u>952,644</u>
-	-	169,987
-	-	287,748
-	-	373,330
29,803	-	67,557
-	-	32,710
-	-	72,941
-	-	5,705
<u>29,803</u>	<u>-</u>	<u>1,009,978</u>
<u>(29,753)</u>	<u>818</u>	<u>(57,334)</u>
24,200	-	43,700
-	-	(109,526)
<u>24,200</u>	<u>-</u>	<u>(65,826)</u>
(5,553)	818	(123,160)
<u>6,397</u>	<u>1,301</u>	<u>1,053,953</u>
<u>\$ 844</u>	<u>\$ 2,119</u>	<u>\$ 930,793</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Fire Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	86,666	86,666	85,567	(1,099)
Investment income	-	-	134	134
<i>Total revenues</i>	<u>86,666</u>	<u>86,666</u>	<u>85,701</u>	<u>(965)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	60,897	60,897	46,920	13,977
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	72,700	92,093	32,889	59,204
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>133,597</u>	<u>152,990</u>	<u>79,809</u>	<u>73,181</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(46,931)</u>	<u>(66,324)</u>	<u>5,892</u>	<u>72,216</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	46,931	66,324	-	(66,324)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>46,931</u>	<u>66,324</u>	<u>-</u>	<u>(66,324)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>5,892</u>	<u>5,892</u>
<i>Fund balance - beginning of year</i>	-	-	89,273	89,273
<i>Restatement</i>			28	28
<i>Fund balance - restated</i>	<u>-</u>	<u>-</u>	<u>89,301</u>	<u>89,301</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,193</u>	<u>\$ 95,193</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 5,892	
Adjustments to revenues for state operating grants accruals.			22,964	
Adjustments to expenditures for salaries and operating expenses.			<u>(22,314)</u>	
Net change in fund balance (GAAP)			<u>\$ 6,542</u>	

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 Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ 381	\$ 381	\$ 678	\$ 297
Gasoline and motor vehicle	-	-	-	-
Other	-	-	1,211	1,211
Intergovernmental				
State operating grants	-	-	-	-
Charges for services	7,971	7,971	16,451	8,480
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	8,392	8,392	18,374	9,982
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	23,857	23,857	19,594	4,263
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	23,857	23,857	19,594	4,263
<i>Excess (deficiency) of revenues over expenditures</i>	(15,465)	(15,465)	(1,220)	14,245
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	15,465	15,465	-	(15,465)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	15,465	15,465	-	(15,465)
<i>Net change in fund balance</i>	-	-	(1,220)	(1,220)
<i>Fund balance - beginning of year</i>	-	-	34,860	34,860
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 33,640	\$ 33,640
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,220)	
Adjustments to revenues for other revenue accruals.			(597)	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ (1,817)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Correction Fees Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Charges for services	3,975	3,975	11,961	7,986
Miscellaneous	-	-	-	-
<i>Total revenues</i>	3,975	3,975	11,961	7,986
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	10,000	9,696	9,686	10
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	10,000	9,696	9,686	10
<i>Excess (deficiency) of revenues over expenditures</i>	(6,025)	(5,721)	2,275	7,976
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	3,425	3,121	-	(3,121)
Transfers in	2,600	2,600	-	(2,600)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	6,025	5,721	-	(5,721)
<i>Net change in fund balance</i>	-	-	2,275	2,275
<i>Fund balance - beginning of year</i>	-	-	3,121	3,121
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 5,396	\$ 5,396
Net change in fund balance (non-GAAP budgetary basis)			\$ 2,275	
No adjustments for revenues.			-	
Adjustments to expenditures for care of prisoners accruals.			740	
Net change in fund balance (GAAP)			\$ 3,015	

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 Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	26,000	26,000	27,100	1,100
Miscellaneous	-	-	-	-
<i>Total revenues</i>	26,000	26,000	27,100	1,100
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	26,000	49,562	47,751	1,811
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	26,000	49,562	47,751	1,811
<i>Excess (deficiency) of revenues over expenditures</i>	-	(23,562)	(20,651)	2,911
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	23,562	-	(23,562)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	23,562	-	(23,562)
<i>Net change in fund balance</i>	-	-	(20,651)	(20,651)
<i>Fund balance - beginning of year</i>	-	-	23,562	23,562
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 2,911	\$ 2,911
Net change in fund balance (non-GAAP budgetary basis)			\$ (20,651)	
Adjustments to revenues for state operating grants accruals.			350	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ (20,301)	

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 Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Other	172,700	172,700	190,277	17,577
Intergovernmental				
State operating grants	23,507	23,507	19,967	(3,540)
Charges for services	1,000	1,000	-	(1,000)
Investment income	123	123	132	9
Miscellaneous	14,500	17,100	9,350	(7,750)
<i>Total revenues</i>	<u>211,830</u>	<u>237,937</u>	<u>219,726</u>	<u>(18,211)</u>
<i>Expenditures:</i>				
Current:				
General government	191,588	191,588	169,987	21,601
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	41,914	41,914	37,915	3,999
Interest	-	-	-	-
<i>Total expenditures</i>	<u>233,502</u>	<u>233,502</u>	<u>207,902</u>	<u>25,600</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(21,672)</u>	<u>4,435</u>	<u>11,824</u>	<u>7,389</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	21,672	(4,435)	-	4,435
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>21,672</u>	<u>(4,435)</u>	<u>-</u>	<u>4,435</u>
<i>Net change in fund balance</i>	-	-	11,824	11,824
<i>Fund balance - beginning of year</i>	-	-	114,733	114,733
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,557</u>	<u>\$ 126,557</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 11,824	
Adjustments to revenues for lodger's tax and state operating grants accruals.			(32,686)	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (20,862)</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 Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	263,801	263,801	274,329	10,528
Gasoline and motor vehicle	78,066	78,066	77,506	(560)
Intergovernmental				
State operating grants	42,100	42,100	32,939	(9,161)
Investment income	104	104	224	120
Miscellaneous	-	-	10,435	10,435
<i>Total revenues</i>	<u>384,071</u>	<u>384,071</u>	<u>395,433</u>	<u>11,362</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	396,380	396,391	277,030	119,361
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	20,866	20,866	-	20,866
Debt Service:				
Principal	-	-	16,203	(16,203)
Interest	-	-	1,573	(1,573)
<i>Total expenditures</i>	<u>417,246</u>	<u>417,257</u>	<u>294,806</u>	<u>122,451</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(33,175)</u>	<u>(33,186)</u>	<u>100,627</u>	<u>133,813</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	33,175	33,186	-	(33,186)
Transfers in	-	-	-	-
Transfers out	-	-	(106,526)	(106,526)
<i>Total other financing sources (uses)</i>	<u>33,175</u>	<u>33,186</u>	<u>(106,526)</u>	<u>(139,712)</u>
<i>Net change in fund balance</i>	-	-	(5,899)	(5,899)
<i>Fund balance - beginning of year</i>	-	-	173,519	173,519
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,620</u>	<u>\$ 167,620</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (5,899)	
Adjustments to revenues for gross receipts tax and state operating grants accruals.			(53,095)	
Adjustments to expenditures for fuel accruals.			(644)	
Net change in fund balance (GAAP)			<u>\$ (59,638)</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 Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)
			Final to Actual	
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	169,952	169,952	170,768	816
Charges for services	16,834	16,834	11,983	(4,851)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>186,786</u>	<u>186,786</u>	<u>182,751</u>	<u>(4,035)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	228,472	228,472	190,493	37,979
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>228,472</u>	<u>228,472</u>	<u>190,493</u>	<u>37,979</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(41,686)</u>	<u>(41,686)</u>	<u>(7,742)</u>	<u>(42,014)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	41,686	41,686	-	(41,686)
Transfers in	-	-	3,000	3,000
Transfers out	-	-	(3,000)	(3,000)
<i>Total other financing sources (uses)</i>	<u>41,686</u>	<u>41,686</u>	<u>-</u>	<u>(41,686)</u>
<i>Net change in fund balance</i>	-	-	(7,742)	(7,742)
<i>Fund balance - beginning of year</i>	-	-	112,874	112,874
<i>Fund balance - end of year</i>	<u>\$ 41,686</u>	<u>\$ 41,686</u>	<u>\$ 105,132</u>	<u>\$ 105,132</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (7,742)	
Adjustments to revenues for charges for services and state operating grants accruals.			(19,278)	
Adjustments to expenditures for DWI expenses accrual.			13,563	
Net change in fund balance (GAAP)			<u>\$ (13,457)</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 Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	14,648	14,648	13,673	(975)
Charges for services	3,000	3,000	-	(3,000)
Miscellaneous	2,500	2,500	1,692	(808)
<i>Total revenues</i>	20,148	20,148	15,365	(4,783)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	24,878	24,878	18,065	6,813
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	24,878	24,878	18,065	6,813
<i>Excess (deficiency) of revenues over expenditures</i>	(4,730)	(4,730)	(2,700)	(11,596)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	4,730	4,730	-	(4,730)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	4,730	4,730	-	(4,730)
<i>Net change in fund balance</i>	-	-	(2,700)	(2,700)
<i>Fund balance - beginning of year</i>	-	-	16,986	16,986
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 14,286	\$ 14,286
Net change in fund balance (non-GAAP budgetary basis)			\$ (2,700)	
Adjustments to revenues for state operating grants accruals.			(5,025)	
No adjustments for expenditures.			-	
Net change in fund balance (GAAP)			\$ (7,725)	

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 Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
State operating grants	-	-	-	-
Charges for services	-	-	6,975	6,975
Investment income	2,325	2,325	-	(2,325)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,325</u>	<u>2,325</u>	<u>6,975</u>	<u>4,650</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	2,325	2,325	95	2,230
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,325</u>	<u>2,325</u>	<u>95</u>	<u>2,230</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>6,880</u>	<u>2,420</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	6,880	6,880
<i>Fund balance - beginning of year</i>	-	-	16,324	16,324
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,204</u>	<u>\$ 23,204</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 6,880	
No adjustments for revenues.			-	
No adjustments for expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 6,880</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 Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	2	2	-	(2)
<i>Total revenues</i>	<u>2</u>	<u>2</u>	<u>-</u>	<u>(2)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2</u>	<u>2</u>	<u>-</u>	<u>(2)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(2)	(2)	-	2
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(2)</u>	<u>(2)</u>	<u>-</u>	<u>2</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	392	392
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392</u>	<u>\$ 392</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments for revenues.			-	
No adjustments for expenditures.			-	
Net change in fund balance (GAAP)			<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 Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	88,337	88,337
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 88,337	\$ 88,337
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments for revenues.			-	
No adjustments for expenditures.			-	
Net change in fund balance (GAAP)			\$ -	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Capital Expenditures Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable
				(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Investment income	10	10	8	(2)
Miscellaneous	-	-	501	501
<i>Total revenues</i>	10	93,854	509	(93,345)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	10,000	10,000	10,344	(344)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	16,500	16,500	16,122	378
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	26,500	26,500	26,466	34
<i>Excess (deficiency) of revenues over expenditures</i>	(26,490)	67,354	(25,957)	(93,379)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	26,490	(67,354)	-	67,354
Transfers in	-	-	16,500	16,500
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	26,490	(67,354)	16,500	83,854
<i>Net change in fund balance</i>	-	-	(9,457)	(9,457)
<i>Fund balance - beginning of year</i>	-	-	11,799	11,799
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 2,342	\$ 2,342
Net change in fund balance (non-GAAP budgetary basis)			\$ (9,457)	
No adjustments for revenues.			-	
No adjustments for expenditures.			-	
Net change in fund balance (GAAP)			\$ (9,457)	

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 Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grant	-	-	580,402	580,402
State capital grants	-	-	12,269	12,269
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	592,671	592,671
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	1,605	(1,605)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	442,548	442,548	380,388	62,160
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	442,548	442,548	381,993	60,555
<i>Excess (deficiency) of revenues over expenditures</i>	(442,548)	(442,548)	210,678	532,116
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	442,548	442,548	-	(442,548)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	442,548	442,548	-	(442,548)
<i>Net change in fund balance</i>	-	-	210,678	210,678
<i>Fund balance - beginning of year</i>	-	-	3,671	3,671
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 214,349	\$ 214,349
Net change in fund balance (non-GAAP budgetary basis)			\$ 210,678	
Adjustments to revenues for state operating grants.			(517,423)	
Adjustments to expenditures for capital outlay accrual.			305,140	
Net change in fund balance (GAAP)			\$ (1,605)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
R & R Emergency Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>59,007</u>	<u>59,007</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,007</u>	<u>\$ 59,007</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments for revenues.			-	
No adjustments for expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Veteran's Wall Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	50	50
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	4,200	4,200	2,331	1,869
Health and welfare	-	-	-	-
Capital outlay	28,000	28,000	27,472	528
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,200</u>	<u>32,200</u>	<u>29,803</u>	<u>2,397</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(32,200)</u>	<u>(32,200)</u>	<u>(29,753)</u>	<u>(2,347)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	32,200	32,200	24,200	(8,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>32,200</u>	<u>32,200</u>	<u>24,200</u>	<u>(8,000)</u>
<i>Net change in fund balance</i>	-	-	(5,553)	(5,553)
<i>Fund balance - beginning of year</i>	-	-	6,397	6,397
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 844</u>	<u>\$ 844</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (5,553)	
No adjustments for revenues.			-	
No adjustments for expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (5,553)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
CDBG Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
Federal capital grant	454,579	454,579	34,279	(420,300)
State operating grant	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>454,579</u>	<u>454,579</u>	<u>34,279</u>	<u>(420,300)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public Works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	454,579	454,579	33,461	421,118
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>454,579</u>	<u>454,579</u>	<u>33,461</u>	<u>421,118</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	818	(841,418)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	818	818
<i>Fund balance - beginning of year</i>	-	-	1,301	1,301
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,119</u>	<u>\$ 2,119</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 818	
No adjustments for revenues.			33,461	
No adjustments for expenditures.			(33,461)	
Net change in fund balance (GAAP)			<u>\$ 818</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 Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	263,800	263,800	274,329	10,529
Intergovernmental				
State capital grants	3,497,374	3,527,374	-	(3,527,374)
Investment income	544	544	10,251	9,707
<i>Total revenues</i>	<u>3,761,718</u>	<u>3,791,718</u>	<u>284,580</u>	<u>(3,507,138)</u>
<i>Expenditures:</i>				
Current:				
General government	2,073,857	2,073,857	577,923	1,495,934
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	1,423,607	1,423,607	822,200	601,407
Capital outlay	-	-	-	-
Debt Service:				
Principal	196,955	196,955	196,954	1
Interest	186,743	186,743	186,742	1
<i>Total expenditures</i>	<u>3,881,162</u>	<u>3,881,162</u>	<u>1,783,819</u>	<u>2,097,343</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(119,444)</u>	<u>(89,444)</u>	<u>(1,499,239)</u>	<u>(5,604,481)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	119,444	89,444	-	(89,444)
Transfers in	-	-	106,526	106,526
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>119,444</u>	<u>89,444</u>	<u>106,526</u>	<u>17,082</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,392,713)</u>	<u>(1,392,713)</u>
<i>Fund balance - beginning of year</i>	-	-	334,665	334,665
<i>Restatement</i>	-	-	4,298,248	4,298,248
<i>Fund balance - restated</i>	<u>-</u>	<u>-</u>	<u>4,632,913</u>	<u>4,632,913</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,240,200</u>	<u>\$ 3,240,200</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,392,713)	
Adjustments to revenues for gross receipts tax accruals.			(47,127)	
No adjustments for expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (1,439,840)</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
Nonmajor Proprietary Funds
June 30, 2011

	Business-Type Activities		
	Cemetery Fund	Golf Course Fund	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 40,967	\$ 5,636	\$ 46,603
Investments	-	-	-
Receivables			
Accounts	-	-	-
Inventory	-	-	-
<i>Total current assets</i>	40,967	5,636	46,603
<i>Noncurrent assets</i>			
Capital assets	117,654	1,131,379	1,249,033
Accumulated depreciation	(5,237)	(442,757)	(447,994)
<i>Total noncurrent assets</i>	112,417	688,622	801,039
			-
<i>Total assets</i>	\$ 153,384	\$ 694,258	\$ 847,642
<i>Liabilities and Net Assets</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-
Accrued interest	-	-	-
Current maturity of loans, notes and capital leases payable	-	-	-
<i>Total current liabilities</i>	-	-	-
<i>Noncurrent liabilities</i>			
Accrued compensated absences	-	-	-
Loans, notes and capital leases payable	-	-	-
<i>Total noncurrent liabilities</i>	-	-	-
<i>Total liabilities</i>	-	-	-
<i>Net assets</i>			
Invested in capital assets, net of related debt	112,417	688,622	801,039
Unrestricted	40,967	5,636	46,603
<i>Total net assets</i>	153,384	694,258	847,642
<i>Total liabilities and net assets</i>	\$ 153,384	\$ 694,258	\$ 847,642

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
Nonmajor Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities		
	Cemetery Fund	Golf Course Fund	Total Non-Major Funds
<i>Operating revenues</i>			
Charges for services	\$ 17,625	\$ 11,927	\$ 29,552
<i>Total operating revenues</i>	<u>17,625</u>	<u>11,927</u>	<u>29,552</u>
<i>Operating expenses</i>			
General operating	11,389	54,620	66,009
Personnel services	-	-	-
Depreciation	1,051	4,674	5,725
<i>Total operating expenses</i>	<u>12,440</u>	<u>59,294</u>	<u>71,734</u>
<i>Operating income (loss)</i>	<u>5,185</u>	<u>(47,367)</u>	<u>(42,182)</u>
<i>Non-operating revenues (expenses)</i>			
Interest expense	-	-	-
Investment income	-	5	5
Intergovernmental	-	-	-
Miscellaneous income	-	1,518	1,518
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>1,523</u>	<u>1,523</u>
<i>Income (loss) before contributions and transfers</i>	<u>5,185</u>	<u>(45,844)</u>	<u>(40,659)</u>
Transfers in	-	43,500	43,500
Transfers out	-	-	-
<i>Change in net assets</i>	5,185	(2,344)	2,841
<i>Total net assets, beginning of year</i>	<u>148,199</u>	<u>696,602</u>	<u>844,801</u>
<i>Total net assets, end of year</i>	<u>\$ 153,384</u>	<u>\$ 694,258</u>	<u>\$ 847,642</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
Nonmajor Proprietary Funds
For the Year Ended June 30, 2011

Statement C-3

	Business-Type Activities		
	Cemetery Fund	Golf Course Fund	Total Non-Major Funds
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 17,625	\$ 11,927	\$ 29,552
Cash payments to employees for services	-	-	-
Cash payments to suppliers for goods and services	(12,634)	(56,554)	(69,188)
<i>Net cash provided (used) by operating activities</i>	<u>4,991</u>	<u>(44,627)</u>	<u>(39,636)</u>
<i>Cash flows from noncapital financing activities</i>			
Government contributions	-	-	-
Miscellaneous income	-	1,518	1,518
Transfers	-	43,500	43,500
<i>Net cash provided (used) by noncapital financing activities</i>	<u>-</u>	<u>45,018</u>	<u>45,018</u>
<i>Cash flows from investing activities</i>			
Acquisition of capital assets	-	-	-
Interest on investments	-	5	5
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>5</u>	<u>5</u>
<i>Cash flows from capital and related financing activities</i>			
Interest paid	-	-	-
Principal payments on bonds, loans and notes payable	-	-	-
<i>Net cash (used) by capital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net increase in cash and cash equivalents</i>	<u>4,991</u>	<u>396</u>	<u>5,387</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>35,976</u>	<u>5,240</u>	<u>41,216</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 40,967</u>	<u>\$ 5,636</u>	<u>\$ 46,603</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ 5,185	\$ (47,367)	(42,182)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	1,051	4,674	5,725
Changes in assets and liabilities			
Receivables	-	-	-
Inventory	-	-	-
Accounts payable	(1,245)	(1,934)	(3,179)
Accrued payroll expenses	-	-	-
Accrued compensated absences	-	-	-
Meter deposits	-	-	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 4,991</u>	<u>\$ (44,627)</u>	<u>\$ (39,636)</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 Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
Joint Utility Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 9,809,354	\$ 9,809,354	\$ 10,174,111	\$ 364,757
<i>Total operating revenues</i>	<u>9,809,354</u>	<u>9,809,354</u>	<u>10,174,111</u>	<u>364,757</u>
<i>Operating expenses:</i>				
General operating	5,251,821	5,251,821	5,361,164	(109,343)
Personnel services	1,662,825	1,662,825	1,524,405	138,420
<i>Total operating expenses</i>	<u>6,914,646</u>	<u>6,914,646</u>	<u>6,885,569</u>	<u>29,077</u>
<i>Operating income (loss)</i>	<u>2,894,708</u>	<u>2,894,708</u>	<u>3,288,542</u>	<u>393,834</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	(161,503)	(161,503)	(167,630)	(6,127)
Interest income	1,873	1,873	18,844	16,971
Intergovernmental	365,500	365,000	133,802	(231,198)
Miscellaneous income	203,510	203,510	71,314	(132,196)
<i>Total non-operating revenues (expenses)</i>	<u>409,380</u>	<u>408,880</u>	<u>56,330</u>	<u>(352,550)</u>
Designated cash	(3,423,005)	(3,422,505)	-	3,422,505
Transfers	118,917	118,917	(2,354,001)	(2,472,918)
<i>Change in net assets</i>	-	-	990,871	990,871
<i>Total net assets, beginning of year</i>	-	-	3,833,853	3,833,853
<i>Restatement</i>	-	-	(361,976)	(361,976)
<i>Total net assets, beginning as restated</i>	<u>-</u>	<u>-</u>	<u>3,471,877</u>	<u>3,471,877</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,462,748</u>	<u>\$ 4,462,748</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 990,871	
Adjustments to revenues for charges for services accruals.			161,509	
Adjustments to expenditures for salaries and general operating expense accruals.			103,239	
Depreciation			<u>200,367</u>	
Change in Net Assets (GAAP)			<u>\$ 1,455,986</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 Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
Airport Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 175,317	\$ 175,317	\$ 293,533	\$ 118,216
<i>Total operating revenues</i>	<u>175,317</u>	<u>175,317</u>	<u>293,533</u>	<u>118,216</u>
<i>Operating expenses:</i>				
General operating	299,302	297,102	265,915	31,187
Personnel services	117,677	117,677	97,846	19,831
<i>Total operating expenses</i>	<u>416,979</u>	<u>414,779</u>	<u>363,761</u>	<u>51,018</u>
<i>Operating income (loss)</i>	<u>(241,662)</u>	<u>(239,462)</u>	<u>(70,228)</u>	<u>169,234</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Interest income	35	35	21	(14)
Intergovernmental	-	-	28,135	28,135
Miscellaneous income	17,012	17,012	17,012	-
<i>Total non-operating revenues (expenses)</i>	<u>17,047</u>	<u>17,047</u>	<u>45,168</u>	<u>28,121</u>
Designated cash	224,615	222,415	-	(222,415)
Transfers	-	-	52,730	52,730
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>27,670</u>	<u>27,670</u>
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>51,744</u>	<u>51,744</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,414</u>	<u>\$ 79,414</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 27,670	
Adjustments to revenues for charges for services accruals.			(95,233)	
Adjustments to expenditures for general operating expense accruals.			(119,442)	
Depreciation			<u>84,625</u>	
Change in Net Assets (GAAP)			<u>\$ (102,380)</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 Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
Solid Waste Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 65,885	\$ 65,885	\$ 79,942	\$ 14,057
<i>Total operating revenues</i>	<u>65,885</u>	<u>65,885</u>	<u>79,942</u>	<u>14,057</u>
<i>Operating expenses:</i>				
General operating	119,145	152,019	134,818	17,201
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>119,145</u>	<u>152,019</u>	<u>134,818</u>	<u>17,201</u>
<i>Operating income (loss)</i>	<u>(53,260)</u>	<u>(86,134)</u>	<u>(54,876)</u>	<u>31,258</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	(13,229)	(13,229)	(13,857)	(628)
Interest income	27	27	2,049	2,022
Intergovernmental	15,473	25,118	25,807	689
Miscellaneous income	-	-	1,884	1,884
<i>Total non-operating revenues (expenses)</i>	<u>2,271</u>	<u>11,916</u>	<u>15,883</u>	<u>3,967</u>
Designated cash	15,989	39,218	-	(39,218)
Transfers	35,000	35,000	124,000	3,967
<i>Change in net assets</i>	-	-	85,007	85,007
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>339,506</u>	<u>339,506</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,513</u>	<u>\$ 424,513</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 85,007	
Adjustments to revenues for charges for services accruals.			(11,863)	
Adjustments to expenditures for general operating expenses.			(120,810)	
Depreciation			<u>78,646</u>	
Change in Net Assets (GAAP)			<u>\$ 30,980</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 Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
Cemetery Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 11,820	\$ 11,820	\$ 16,380	\$ 4,560
<i>Total operating revenues</i>	<u>11,820</u>	<u>11,820</u>	<u>16,380</u>	<u>4,560</u>
<i>Operating expenses:</i>				
General operating	19,570	19,570	11,389	8,181
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>19,570</u>	<u>19,570</u>	<u>11,389</u>	<u>7,130</u>
<i>Operating income (loss)</i>	<u>(7,750)</u>	<u>(7,750)</u>	<u>4,991</u>	<u>11,690</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Designated cash	7,750	7,750	-	(7,750)
Transfers	-	-	-	(8,181)
<i>Change in net assets</i>	<u>39,140</u>	<u>39,140</u>	<u>4,991</u>	<u>(34,149)</u>
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>35,976</u>	<u>35,976</u>
<i>Total net assets, end of year</i>	<u>\$ 39,140</u>	<u>\$ 39,140</u>	<u>\$ 40,967</u>	<u>\$ 1,827</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 4,991	
Adjustments to revenues for charges for services accruals.			1,245	
Adjustments to expenditures for general operating expenses accruals.			(2,102)	
Depreciation			<u>1,051</u>	
Change in Net Assets (GAAP)			<u>\$ 5,185</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 Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
Golf Course Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	11,076	11,076	11,927	851
<i>Total operating revenues</i>	<u>11,076</u>	<u>11,076</u>	<u>11,927</u>	<u>851</u>
<i>Operating expenses:</i>				
General operating	45,912	56,612	56,554	58
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>45,912</u>	<u>56,612</u>	<u>56,554</u>	<u>58</u>
<i>Operating income (loss)</i>	<u>(34,836)</u>	<u>(45,536)</u>	<u>(44,627)</u>	<u>909</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	24	24	5	(19)
Intergovernmental	-	-	0	-
Miscellaneous income	-	-	1,518	1,518
<i>Total non-operating revenues (expenses)</i>	<u>24</u>	<u>24</u>	<u>1,523</u>	<u>1,499</u>
Designated cash	(80,188)	34,012	-	(34,012)
Transfers	115,000	11,500	43,500	-
<i>Change in net assets</i>	-	-	396	396
<i>Total net assets, beginning of year</i>	-	-	5,240	5,240
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,636</u>	<u>\$ 5,636</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 396	
No adjustments to revenues.			-	
Adjustments to expenditures for general operating expense accruals.			(57,360)	
Depreciation			<u>54,620</u>	
Change in Net Assets (GAAP)			<u>\$ (2,344)</u>	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Deposit and Investment Accounts
June 30, 2011

Schedule I
Page 1 of 2

Bank Name/ Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Totals
Bank of the Southwest	Checking				
General Fund	Checking	\$ 811,097	\$ 376	\$ 100	\$ 811,373
PD Bond Account	Checking	3,500	-	500	3,000
Pledge State Tax	Checking	213,683	-	-	213,683
State Fire Fund	Checking	95,165	-	-	95,165
Municipal Recreation	Checking	33,519	323	201	33,641
Court Cost	Checking	5,245	151	-	5,396
Law Enforcement	Checking	2,911	-	-	2,911
Police Department Donation	Checking	10,175	-	-	10,175
PD Confidential Fund	Checking	845	-	-	845
Federal Grant Trust	Checking	23,009	-	-	23,009
Lodgers Tax	Checking	126,557	-	-	126,557
Special Appropriations Effluent Water	Checking	257,824	-	-	257,824
Joint Utility Income	Checking	1,584,734	21,910	1,048	1,605,596
Solid Waste Disposal	Checking	9,877	108	-	9,985
Golf Course	Checking	5,557	79	-	5,636
Airport Hanger	Checking	20,688	-	-	20,688
Street Renovation	Checking	167,620	-	-	167,620
Electrical Construction	Checking	129,919	-	-	129,919
Veteran's Wall	Checking	844	-	-	844
DWI HB108	Checking	27,138	-	-	27,138
DWI Fund	Checking	73,050	-	-	73,050
DWI-UA Screening Program	Checking	4,944	-	-	4,944
Senior Transportation	Checking	88,337	-	-	88,337
Veteran's Wall Perpetual Care	Checking	23,204	-	-	23,204
C I General	Checking	2,342	-	-	2,342
C I Joint Utility	Checking	8,430	-	-	8,430
Morgan Street Dam Project	Checking	214,349	-	-	214,349
Internal Services	Checking	99,306	-	-	99,306
JT Utility Emergency Repair Fund	Checking	59,007	-	-	59,007
FAA Project/Mun Airport	Checking	58,116	-	-	58,116
R & R Water Fund	Checking	14,660	-	-	14,660
CDBG Comprehensive	Checking	2,118	-	-	2,118
Capital Improvement Reserves	Checking	601,649	-	-	601,649
Emergency Repair Reserves	Checking	37,802	-	-	37,802
Wastewater Repair Reserves	Checking	41,492	-	-	41,492
Electrical Construction Reserves	Checking	30,249	-	-	30,249
Federal Seizure Share	Checking	392	-	-	392
Payroll Revolving Fund	Checking	209,825	-	203,893	5,932
Total Bank of the Southwest		<u>5,099,180</u>	<u>22,947</u>	<u>205,742</u>	<u>4,916,385</u>

See Accompanying Independent Auditors' Report.

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Deposit and Investment Accounts
June 30, 2011

Schedule I
Page 2 of 2

Bank Name/ Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Totals
Compass Bank					
Cemetery Fund	Checking	40,967	-	-	40,967
Library Fund	Checking	14,286	-	-	14,286
Required Reserved 1995 Bond	Checking	53,989	-	-	53,989
Bond Fund 1995	Checking	55,331	-	-	55,331
Required Reserve 1996 Bond	Checking	36,320	-	-	36,320
Bond Fund 1996	Checking	36,700	-	-	36,700
Bond Pmt Reserve 1998	Checking	17,066	-	-	17,066
Required Reserve 1998	Checking	15,367	-	-	15,367
Pledged State	Certificate of Deposit	477,443	-	-	477,443
Solid Waste	Certificate of Deposit	414,535	-	-	414,535
R & R Sewer	Checking	190,628	-	-	190,628
R & R Water	Certificate of Deposit	74,870	-	-	74,870
Emergency Repair Reserves	Checking	79,455	-	-	79,455
Waste Water Reserve	Checking	99,475	-	-	99,475
Electrical Construction Reserve	Checking	80,602	-	-	80,602
Capital Improvement Reserve	Checking	994,725	-	-	994,725
Total Compass Bank		2,681,760	-	-	2,681,760
Bank of New York Mellon					
NMFA Police Building	U.S. Treasury Mutual Fund *	15,153	-	-	15,153
1996 Refunding GRT and Improvement Bond	U.S. Treasury Mutual Fund *	989,906	-	-	989,906
NMFA Upgrade Low Voltage Feeder Line	U.S. Treasury Mutual Fund *	125,711	-	-	125,711
NMFA Street Improvements	U.S. Treasury Mutual Fund *	1,388,162	-	-	1,388,162
		2,518,932	-	-	2,518,932
New Mexico Finance Authority					
NMFA Police Building	State Treasurer Debt Service *	5,692	-	-	5,692
NMFA Fire Equipment	State Treasurer Debt Service *	37	-	-	37
1996 Refunding GRT and Improvement Bond	State Treasurer Debt Service *	45,295	-	-	45,295
		51,024	-	-	51,024
Total		\$ 10,350,896	\$ 22,947	\$ 205,742	\$ 10,168,101
Add: Petty cash					1,300
Less: Restricted cash and cash equivalents per Exhibit A-1					(4,750,177)
Less: Investments per Exhibit A-1					(966,849)
Total unrestricted cash and cash equivalents per Exhibit A-1					\$ 4,452,375

* These cash accounts are restricted for debt services by the New Mexico Finance Authority

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2011

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2011	Location of Safekeeper
Bank of the Southwest					
	FNMA Arm Pool	3/1/2018	86794	\$ 45,708	Federal Home Loan Bank, Dallas TX
	FNMA Arm Pool	5/1/2019	91962	13,419	Federal Home Loan Bank, Dallas TX
	GNMA II Pool	7/20/2024	008466	40,943	Federal Home Loan Bank, Dallas TX
	GNMA II Pool	1/20/2031	080484	17,978	Federal Home Loan Bank, Dallas TX
	Letter of Credit	6/4/2012		300,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	9/19/2011		950,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	1/6/2012		<u>2,550,000</u>	Federal Home Loan Bank, Dallas TX
	Total Bank of the Southwest			<u>3,918,048</u>	
Compass Bank					
	FHLMC 3762 AV	10/15/2023	3137A3NJ4	9,873	Federal Home Loan Bank, Irving TX
	FNMA 2009-116 Class B	1/25/2025	31398GLV3	112,039	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2025	31371MF93	17,553	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	221,537	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	139,482	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	16,738	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	26,441	Federal Home Loan Bank, Irving TX
	GNMA Pool	5/15/2029	36213M5Q7	72,408	Federal Home Loan Bank, Irving TX
	GNMA Remic 2003-98 TD	4/20/2030	38374EUX3	16,470	Federal Home Loan Bank, Irving TX
	FHLMC FHR 2780 MD	9/15/2031	31394XQR0	62,103	Federal Home Loan Bank, Irving TX
	FNMA	11/1/2031	31388YETS	157,046	Federal Home Loan Bank, Irving TX
	FNMA Arm	3/1/2033	31400SFX2	397,988	Federal Home Loan Bank, Irving TX
	FNMA Arm	10/1/2033	31349SC92	137,212	Federal Home Loan Bank, Irving TX
	FNMA Arm	7/1/2036	31410DWD8	553,450	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2036	31407RLD4	270,369	Federal Home Loan Bank, Irving TX
	FNR	9/25/2036	31396KM33	16,095	Federal Home Loan Bank, Irving TX
	FNR	9/25/2036	31396KM33	60,357	Federal Home Loan Bank, Irving TX
	FNR	9/25/2036	31396KM33	80,475	Federal Home Loan Bank, Irving TX
	GNR	7/20/2040	38377TMQ1	21,736	Federal Home Loan Bank, Irving TX
	GRN	7/20/2040	38377TMQ1	<u>48,906</u>	Federal Home Loan Bank, Irving TX
	Total Compass Bank			<u>2,438,278</u>	
	Total Pledged Collateral			<u>\$ 6,356,326</u>	

See Accompanying Independent Auditors' Report.

COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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 Balderas
New Mexico State Auditor
Office of Management and Budget and
To the Truth or Consequences City Council Members
City of Truth or Consequences
Truth or Consequences, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, the discreetly presented component unit, each major fund, the budgetary comparison for the general 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 28, 2011. We have also audited the financial statements of each of the City's nonmajor governmental funds, each of the City's nonmajor proprietary funds, the budgetary comparisons for the remaining nonmajor governmental funds, the major debt service fund, and the proprietary funds presented as supplementary information in the accompanying combining and individual fund statements as of and for the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 2007-03, FS 2010-01, and FS 2011-01 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS 2009-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items FS 2010-02 and 2010-03.

We noted a certain matter that is required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as finding FS 2009-01.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Council, the Office of the State Auditor, the New Mexico Legislature and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 28, 2011

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Hector Balderas
New Mexico State Auditor
Office of Management and Budget and
To the Truth or Consequences City Council Members
City of Truth or Consequences
Truth or Consequences, New Mexico

Compliance

We have audited the City of Truth or Consequences, New Mexico (“the City”) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2011. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompany schedule of findings and questioned costs as items FA 2011-01, FA 2011-02 and 2011-01.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item FA 2011-01 and FA 2011-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiency, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Council, the Office of the State Auditor, the New Mexico Legislature and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 28, 2011

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Funding Source/Grantor or Contact Name	CFDA Number	Federal Grant Number	Expenditures
U.S. Department of Justice Bureau of Justice Assistance			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SB-B9-3051	\$ 562
Title V Delinquency Prevention Program	16.548	09-690-9446.2	37,000
U.S. Department of Housing & Urban Development Passed Through the State of New Mexico, Department of Finance & Administration			
Community Development Block Grants	14.255	09-C-NR-I-1-G-14	34,279
U.S. Department of Transportation			
Highway Planning and Construction- ARRA (1)	20.205	ECO-1174(15)	380,388
Airport Improvement Program	20.106	3-35-0042-12-2010	36,916
Minimum Penalties for Repeat Offenders for DWI	20.608	11-AL-64-104	3,808
U.S. Department of Energy			
Energy Efficiency and Conservation Block Grant- ARRA	81.128	DE-EE0000681	90,840
U.S. Department of Health and Human Services Administration for Children and Families			
Temporary Assistance to Needy Families	93.558	09-690-9695-0	<u>14,500</u>
Total Federal Financial Assistance			<u><u>\$ 598,293</u></u>

(1) Denotes Major Federal Financial Assistance Program

See accompanying independent auditors' report.

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Truth or Consequences (the City) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements including the proprietary funds. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organization*.

2. Subrecipients

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

3. Non-Cash Assistance

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

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 598,293
Total expenditures funded by other sources	<u>14,594,963</u>
Total expenditures	<u><u>\$ 15,193,256</u></u>

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors’ report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | |
|---|---|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 4. Identification of major programs: | |
| <u>CFDA</u>
<u>Number</u> | <u>Federal Program</u> |
| 20.205 | Highway Planning and Construction- (ARRA) |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | No |

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

FS 2007-03	Accounting Activity	Repeated and Modified
FS 2009-01	Public Money Deposits	Repeated
FS 2009-02	Capital Assets- Inventory Control Numbers	Repeated
FS 2009-03	Procurement Code- Municipal Court Building	Resolved
FS 2010-01	Financial Statements and Disclosures	Repeated and Modified
FS 2010-02	Pre-Tax Deductions	Repeated
FS 2010-03	Employee vs. Independent Contractor	Repeated
FS 2010-04	Collateral of Public Monies	Resolved
FS 2010-05	Legal Compliance with Adopted Budget	Resolved
FS 2010-06	Travel and Per Diem	Resolved
FS 2010-07	Disposition of City Property	Resolved
FS 2010-08	Remittance of Fees- Municipal Court	Resolved

Section III – Findings - Financial Statement Audit

FS 2007-03- Recording of Cash- (Previously Accounting Activity) (Material Weakness)

Condition: The City did not record \$2,569,956 of restricted cash from New Mexico Finance Authority statements on the City's general ledger.

Criteria: NMSA 6-10-2 discusses the duty of public officials to balance public money at the close of each business day. Good accounting practices also require that bank reconciliations are prepared and reviewed at least monthly.

Effect: Before the adjustments were made, the City's cash per the trial balance was understated by \$2,569,956.

Cause: The City did not record cash in NMFA statements when received.

Auditors' Recommendations: We recommend that the City prepare monthly bank reconciliations for the accounts mentioned above and that the bank reconciliations are reviewed by management. In addition, we recommend all cash be posted to the City's general ledger.

Agency's Response: The City agrees with audit finding and will implement procedures to record NMFA cash in our system.

FS 2009-01 – Public Money Deposits (Other Matter)

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.

Auditor's 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.

Agency's Response: The City concurs with this finding. After reviewing Section 6-10-36 NMSA 1978, we expect to be able to implement a policy and procedure that will comply with State law.

FS 2009-02 – Capital Assets – Inventory Control Numbers (Significant Deficiency)

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 City'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.

Auditors' Recommendations: We recommend the City expedite the establishment and maintenance of appropriate internal controls over its capital assets for the primary purposes of safeguarding them and establishing accountability for their custody and use.

Agency's Response: 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 capital assets.

FS 2010-01- Financial Statements and Disclosures (Material Weakness)

Condition: The financial statements and related disclosures are not being prepared by the City. In addition, the City required the independent auditors to gather necessary information to record accounts receivable, accounts payable, other accrued liabilities, inventory, long-term debt, and capital assets in order to convert their cash basis accounting information into financial statements prepared in accordance with *Generally Accepted Accounting Principles* (GAAP).

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

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

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

Auditors' Recommendations: We recommend the City management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

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

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

Agency's Response: The City agrees with audit finding and will provide necessary training to key personnel on understanding the requirement for external financial reporting.

FS 2010-02 – Pre-Tax Deductions (Noncompliance)

Condition: The City did not properly apply pre-tax deductions from gross compensation prior to applying social security (FICA) and Medicare taxes and federal and state income tax withholdings.

Criteria: A cafeteria plan is a separate plan maintained by an employer for employees that meets the specific requirements of and regulations of Section 125 of the Internal Revenue Code. It provides participants an opportunity to receive certain benefits on a pretax basis. Employer contributions to the cafeteria plan are usually made pursuant to salary reduction agreements between the employer and employee in which the employee agrees to contribute to his or her salary on a pre-tax basis for the qualified benefits. Salary reduction contributions are not actually or constructively received by the participant. Therefore, those contributions are not considered wages for federal income tax purposes. In addition, those sums generally are not subject to FICA, FUTA, Medicare tax, or income tax withholding per sections 3121(2)(5)(G) and 3306(b)(5)(G) of the Internal Revenue Code

Effect: Both the employee and employer (City) paid excess FICA and Medicare taxes.

Cause: The City did not have a clear understanding of how to properly handle certain tax codes within its computer software program for payroll. Further, the City did not perform periodic reconciliations to verify that tax codes were properly established.

Auditors' Recommendations: We recommend the City expedite the establishment and maintenance of the appropriate internal controls to provide reasonable assurance of compliance with laws and regulations. Where necessary, payroll reports should be amended to account for the errors.

Agency's Response: The City concurs with this finding. We will review our current procedures to ensure compliance with federal and state payroll laws and regulations.

FS 2010-03 – Employee vs. Independent Contractor (Noncompliance)

Condition: The City paid certain individuals for services conducted on state grants as independent contractors. In addition, certain other individuals were paid as independent contractors where their job functions classify them as City employees.

Criteria: The Internal Revenue Service (IRS) uses Revenue Ruling 87-41 to note that employee status exists when the person for whom the services are performed has the right to control and direct the worker. It's not necessary that the employer actually direct or control the work, only that the employer has the right to do so.

Effect: Misclassifications subjects the City to payroll taxes, interest and penalties. Since some of these payments are designated as withholding taxes, the IRS can make personal claims against the responsible parties.

Cause: The City did not believe these individuals served as employees of the City.

Auditors' Recommendations: We recommend that the City re-evaluate its view and definition of contract labor to ensure compliance with applicable Internal Revenue Service employment rules and regulations. We recommend that the City review IRS form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding. This process will afford the City the opportunity to review the facts, apply the law and render its decision.

Agency's Response: The City concurs with this finding. We will be re-evaluating existing independent contractor arrangements to ensure compliance with Internal Revenue Service employment rules and regulations.

FS 2011-01 Design Deficiencies in Internal Control over Financial Reporting (Material Weakness)

Condition: The City's internal control structure is inadequate. The City does not have a comprehensive documented internal control system over financial information. The City does not maintain proper oversight or monitoring in regards to the City's accounting activities and has not taken the proper measures to monitor and mitigate the risk for fraud, misappropriation of assets, or misstatement of financial statements. During our audit, we noted the following internal control deficiencies:

- Adjustments to utilities cash accounts are not approved and documented by the appropriate level of management or another appropriate person.
- Bank statements are received and reviewed by the same person who reconciles the banks accounts.
- Updates to the accounts payable master file are not periodically reviewed for reasonableness.
- The payroll system master file change log is not reviewed by a another appropriate personnel; all changes made to payroll information should be reviewed, to ensure it reflects accurate and complete information.
- A current purchasing manual defines restrictions on purchases of goods or services from governing body members, employees, or other suppliers that would create a conflict of interest. Although this exists in the City's personnel policy, it does not have written acknowledgement by employees, governing board, or management.
- Board of finance has not established practices for the identification of risks affecting the entity as well as appropriate fraud risk assessment and monitoring processes.
- Board of finance does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

Criteria: NMAC 6.20.2.11 states:

A. Every City shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

B. Each City shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

- (1) City management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the City.
- (2) Employees handling significant amounts of cash must be adequately bonded. Access to assets is permitted only in accordance with City authorization.
- (3) Receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.
- (4) The City shall have proper safeguards to protect unused checks and other pre-numbered forms, undeposited cash and other receipts, and facsimile signature plates.
- (5) Transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP. In addition, the City shall establish any other criteria applicable to such statements to maintain accountability for assets.
- (6) The City shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports.

FS 2011-01 Design Deficiencies in Internal Control over Financial Reporting (continued) (Material Weakness)

C. An internal control structure is required to demonstrate the City's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:

- (1) rights and ownership;
- (2) existence and occurrence;
- (3) valuation and allocations;
- (4) completeness; and,
- (5) presentation and disclosure.

D. The internal control structure shall demonstrate that the City identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the City complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through City correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the Council within a City to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all City transactions.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect: Because certain internal controls have weaknesses in design, key controls are not in place to properly safeguard assets and prevent or detect material misstatements due to errors or fraud.

Cause: The City has not performed a formalized and documented risk assessment process for those key controls in place to prevent and detect errors or fraud.

Auditors' Recommendations: The City should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management should follow and ensure that all staff follows the City's documented internal control procedures. The City Council is charged with governance and should provide effective oversight of the internal control and financial reporting process.

Agency's Response: The City agrees with finding and will develop stronger internal control procedures over financial information.

Section IV– Findings – Federal Awards

FA 2011-01 Excluded Parties List (significant Deficiency)

Federal program information:

Funding agency:	Department of Transportation
Title:	Highway Planning & Construction
CFDA#	20.205
Award period:	July 2, 2009 to March 31, 2011

Condition: During our review of procurement for all major programs tested, it was noted that the City does not reference the Excluded Parties List System, for contracts of goods or services in which more than \$25,000 is expended.

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Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Schedule IV
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Criteria: The OMB A-133 Compliance Supplement Part 3-Compliance Requirements I- Procurement Suspension and Debarment stipulates non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered Transactions" included those procurement contracts for goods and services awarded under a nonprocurement transaction that is expected to equal or exceed \$25,000 or meet other certain specified criteria.

Effect: The City could be contracting with vendors for services or goods that are included on the suspension and debarment listing which could potentially decrease federal funding received since this is considered non-compliance.

Questioned Costs: None

Cause: The City was unaware that the Excluded Parties List System website existed. Instead, they relied on a certification from the vendor.

Auditor's Recommendation: We recommend that the City implement procedures to ensure all vendors for services and goods over \$25,000 be verified that they do not exist on the suspension and debarment listing.

Agency's Response: The City agrees with finding and will implement a policy and procedure to reference excluded parties list system when expending over \$25,000.00.

FA 2011-02 Quality Assurance (Significant Deficiency)

Federal program information:

Funding agency:	Department of Transportation
Title:	Highway Planning & Construction
CFDA#	20.205
Award period:	July 2, 2009 to March 31, 2011

Condition: During our review of the Highway Planning and Construction program, it was noted that the City could not provide evidence of a Federal Highway Administration approved Quality Assurance Program or of required State Department of Transportation testing.

Criteria: The OMB A-133 Compliance Supplement Part 3-Compliance Requirements N.4. - Quality Assurance stipulates a Local Program Administrator (the City) must have a quality assurance (QA) program, approved by the Federal Highway Administration to ensure that materials and workmanship conform to approved plans and specifications.

Effect: The City could be engaged in construction that does not meet federal standards which could potentially decrease federal funding received since this is considered non-compliance.

Questioned Costs: None

Cause: The City does not maintain adequate oversight and monitoring over the federal award compliance requirement.

Auditors' Recommendations: We recommend that the City implement procedures to implement oversight and monitoring over federal compliance requirements and a Quality Assurance Program over the federal programs to which this compliance requirement applies.

Agency's Response: The City agrees with finding and will provide necessary training to staff for proper administration of federal government awards.

Section V– Findings – Component Unit

2011-1 Lease Amendments

Federal program information:

Funding agency:	Department of Housing and Urban Development
Title:	Section 8 Housing Choice Vouchers
CFDA#	14.871

Condition: In 23 of 40 tenant files tested, no lease amendment was executed by the Authority and the client when a rent increase was enacted.

Criteria: HUD regulations require that a lease amendment be executed whenever there is a change in the terms of the lease, and that the lease amendment be made part of the tenant file.

Effect: The supporting documentation to justify increased rent payments are not available, and HUD regulations have been violated.

Cause: Personnel charged with obtaining the leases amendments were unaware of the federal requirements.

Auditors' Recommendations: We recommend that all personnel be made aware of the necessity of lease amendments, whenever there is a change in the terms of the lease. In addition, we recommend that supervisory personnel review lease amendments when executed, to insure compliance with federal regulations.

Agency's Response: The rent increases were due to normal ongoing reassessments, and the lease amendments were overlooked. We will adopt the auditor recommendation for future changes in lease terms.

STATE OF NEW MEXICO
City of Truth or Consequences
Other Disclosures
June 30, 2011

Exit Conference

An exit conference was held on November 28, 2011. In attendance were the following:

Representing the City of Truth or Consequences:

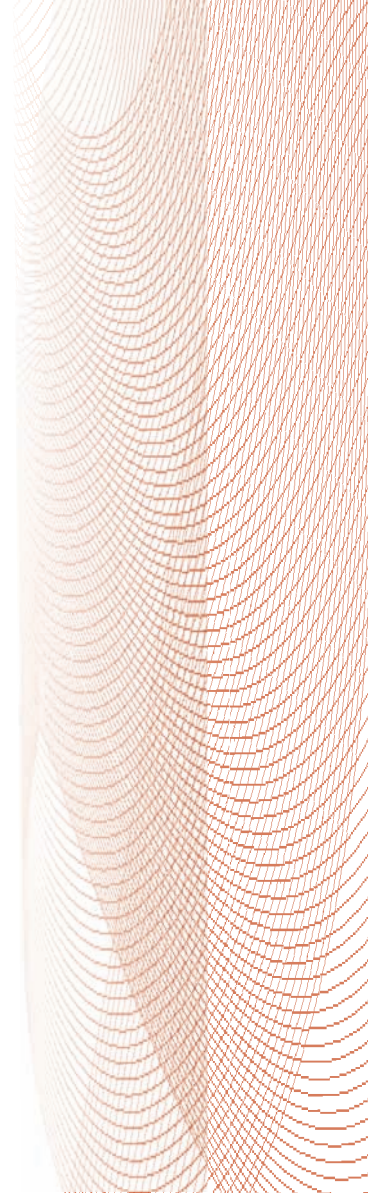
Lori Montgomery	Mayor
Juan Fuentes	Finance Director
Kerin Salcedo	Accountant

Representing Accounting & Consulting Group, LLP:

Ray Roberts, CPA	Managing Partner
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Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the City of Truth or Consequences from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.



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