

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
JUNE 30, 2012



STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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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, 2012

<u>Name</u>	<u>City Council</u>	<u>Title</u>
John Mulcahy		Mayor
Sandra Whitehead		City Commissioner/Mayor Pro Tem
Steven Green		City Commissioner
Jeff Richter		City Commissioner
Freddie Torres		City Commissioner

Administration

Juan Fuentes	City Manager
Mary Penner	City Clerk
Linda Lanham	Finance Director
Judge B. Sanders	Municipal Judge
Jay Rubin	City Attorney

Housing Authority

Greg D'Amour	Chairman
LeeAnn Tooley	Vice- Chairman
Margaret Clanton	Commissioner
Dan Mena	Commissioner
Elizabeth Gutierrez	Executive Director
Mario Portillo	Finance Director

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
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 comparisons for the general fund and major special revenue funds, 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, 2012, 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 respective budgetary comparisons for all 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, 2012 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 \$4,567,631, net assets of \$3,391,299 as of June 30, 2012, and revenues of \$1,780,709 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, based on our audit and the report of other auditors, 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, 2012, 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, 2012, 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 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 29, 2012 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.

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements, the combining and individual fund statements, and the budgetary comparisons. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information 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.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 29, 2012

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,521,505	\$ 4,470,328	\$ 5,991,833	\$ 884,869
Investments	530,529	934,452	1,464,981	-
Receivables:				
Property taxes	30,470	-	30,470	-
Other taxes	613,549	-	613,549	-
Utility receivables, net	-	1,348,900	1,348,900	-
Due from other governments	130,670	146,159	276,829	215,176
Prepaid expenses	-	-	-	5,037
Inventory	115,510	1,387,434	1,502,944	3,406
Total Current Assets	2,942,233	8,287,273	11,229,506	1,108,488
Noncurrent Assets				
Restricted cash and cash equivalents	-	2,326,804	2,326,804	239,773
Restricted investments	2,558,419	256,000	2,814,419	-
Bond issuance costs (net of accumulated amortization of \$41,569 and \$1,100)	55,953	38,484	94,437	-
Capital assets	19,278,767	19,336,678	38,615,445	8,294,606
Less: accumulated depreciation	(9,604,692)	(10,777,015)	(20,381,707)	(5,075,236)
Total Noncurrent Assets	12,288,447	11,180,951	23,469,398	3,459,143
Total Assets	\$ 15,230,680	\$ 19,468,224	\$ 34,698,904	\$ 4,567,631

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	\$ 116,000	\$ 1,396,826	\$ 1,512,826	\$ 13,517
Accrued payroll	138,749	72,944	211,693	21,974
Customer deposits	-	159,286	159,286	-
Accrued interest	17,469	48,904	66,373	-
Deferred revenue	-	-	-	-
Tenant deposits	-	-	-	36,344
FSS deposits	-	-	-	48,837
Compensated absences	187,214	109,863	297,077	-
Current portion of long-term debt	259,704	480,110	739,814	33,334
Total Current Liabilities	<u>719,136</u>	<u>2,267,933</u>	<u>2,987,069</u>	<u>154,006</u>
Noncurrent Liabilities				
Accrued compensated absences	152,255	85,958	238,213	31,088
Accrued landfill closure costs	-	650,710	650,710	-
Bonds payable	-	2,665,575	2,665,575	-
Leases and notes payable	4,409,964	2,562,381	6,972,345	991,238
Total Noncurrent Liabilities	<u>4,562,219</u>	<u>5,964,624</u>	<u>10,526,843</u>	<u>1,022,326</u>
Total Liabilities	<u>5,281,355</u>	<u>8,232,557</u>	<u>13,513,912</u>	<u>1,176,332</u>
Net Assets				
Invested in capital assets, net of related debt	5,004,407	4,038,310	9,042,717	2,186,799
Restricted for:				
Debt service	3,429,058	-	3,429,058	-
Capital projects	105,377	-	105,377	-
Housing assistance payments	-	-	-	29,593
Repair and replacement	-	-	-	100,475
Taxes and insurance payments	-	-	-	7,021
Tenant use	-	-	-	3,479
Unrestricted	1,410,483	7,197,357	8,607,840	1,063,932
Total Net Assets	<u>9,949,325</u>	<u>11,235,667</u>	<u>21,184,992</u>	<u>3,391,299</u>
Total Liabilities and Net Assets	<u>\$ 15,230,680</u>	<u>\$ 19,468,224</u>	<u>\$ 34,698,904</u>	<u>\$ 4,567,631</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
General government	\$ 1,846,844	\$ 53,478	\$ 393,925	\$ 153,355
Public safety	1,735,036	33,458	320,564	-
Public works	1,870,520	-	76,317	-
Culture and recreation	553,520	13,036	53,275	-
Health and welfare	332,782	775	114,303	-
Interest on long-term debt	181,027	-	-	-
<i>Total governmental activities</i>	<u>6,519,729</u>	<u>100,747</u>	<u>958,384</u>	<u>153,355</u>
Business-type Activities:				
Joint Utility	7,641,519	10,906,254	243,550	-
Solid Waste	353,143	100,597	-	-
Airport	411,881	202,683	-	-
Cemetery	15,692	9,490	-	-
Golf Course	69,630	11,188	-	-
<i>Total business-type activities</i>	<u>8,491,865</u>	<u>11,230,212</u>	<u>243,550</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 15,011,594</u>	<u>\$ 11,330,959</u>	<u>\$ 1,201,934</u>	<u>\$ 153,355</u>
Component Unit:				
Housing Authority	<u>\$ 1,989,453</u>	<u>\$ 482,294</u>	<u>\$ 1,295,132</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				
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
\$ (1,246,086)	\$ -	\$ (1,246,086)	\$ -
(1,381,014)	-	(1,381,014)	-
(1,794,203)	-	(1,794,203)	-
(487,209)	-	(487,209)	-
(217,704)	-	(217,704)	-
(181,027)	-	(181,027)	-
(5,307,243)	-	(5,307,243)	-
-	3,508,285	3,508,285	-
-	(252,546)	(252,546)	-
-	(209,198)	(209,198)	-
-	(6,202)	(6,202)	-
-	(58,442)	(58,442)	-
-	2,981,897	2,981,897	-
(5,307,243)	2,981,897	(2,325,346)	-
-	-	-	(212,027)
161,775	-	161,775	-
3,099,823	44,622	3,144,445	-
100,914	-	100,914	-
284,960	-	284,960	-
5,945	25,399	31,344	-
74,971	146,163	221,134	3,283
1,535,125	(1,535,125)	-	-
5,263,513	(1,318,941)	3,944,572	3,283
(43,730)	1,662,956	1,619,226	(208,744)
9,993,055	9,572,711	19,565,766	3,600,043
\$ 9,949,325	\$ 11,235,667	\$ 21,184,992	\$ 3,391,299

STATE OF NEW MEXICO
City of Truth or Consequences
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Recreation Fund	Municipal Streets Fund	Debt Service Fund
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ 808,730	\$ 20,252	\$ 39,296	\$ 186,598
Restricted investments	21,193	655,796	1,194,548	686,878
Investments	-	-	-	530,529
Receivables:				
Property taxes	30,470	-	-	-
Other taxes	486,678	-	30,890	81,102
Due from other governments	26,191	-	-	-
Inventory	78,492	-	-	-
<i>Total assets</i>	\$ 1,451,754	\$ 676,048	\$ 1,264,734	\$ 1,485,107
<i>Liabilities</i>				
Accounts payable	\$ 94,186	\$ -	\$ 424	\$ -
Accrued payroll	134,526	-	-	-
Deferred revenue	23,946	-	-	-
<i>Total liabilities</i>	252,658	-	424	-
<i>Fund balances</i>				
Nonspendable				
Inventory	78,492	-	-	-
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	676,048	-	-
Transportation and roads	-	-	1,264,310	-
Fire protection	-	-	-	-
Veteran's Wall	-	-	-	-
Debt service expenditures	-	-	-	1,485,107
Capital projects	-	-	-	-
Committed to:				
Subsequent year's expenditures	769,611	-	-	-
Unassigned	350,993	-	-	-
<i>Total fund balances</i>	1,199,096	676,048	1,264,310	1,485,107
<i>Total liabilities and fund balances</i>	\$ 1,451,754	\$ 676,048	\$ 1,264,734	\$ 1,485,107

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total Governmental Funds
\$ 387,535	\$ 1,442,411
4	2,558,419
-	530,529
-	30,470
14,879	613,549
104,479	130,670
-	78,492
\$ 506,897	\$ 5,384,540
\$ 21,390	\$ 116,000
4,223	138,749
-	23,946
25,613	278,695
-	78,492
65,848	65,848
120,991	797,039
-	1,264,310
99,280	99,280
55,518	55,518
-	1,485,107
139,647	139,647
-	769,611
-	350,993
481,284	5,105,845
\$ 506,897	\$ 5,384,540

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STATE OF NEW MEXICO

City of Truth or Consequences

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2012

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	\$	5,105,845
Residual balances of the internal service funds are included within the governmental activities and are not reported within the governmental funds		116,112
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		9,674,075
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		23,946
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		(17,469)
Current portion of accrued compensated absences		(187,214)
Long-term portion of accrued compensated absences		(152,255)
Bond issuance costs, net of accumulated amortization		55,953
Bonds and notes payable		<u>(4,669,668)</u>
Net assets of governmental activities	\$	<u>9,949,325</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, 2012

	<u>General Fund</u>	<u>Recreation Fund</u>	<u>Municipal Streets Fund</u>	<u>Debt Service Fund</u>
<i>Revenues</i>				
Taxes:				
Property	\$ 161,150	\$ -	\$ -	\$ -
Gross receipts	2,421,238	635	166,733	511,217
Gasoline and motor vehicle	24,189	-	76,725	-
Other	83,123	6	-	-
Intergovernmental				
State operating grants	388,605	38,330	42,100	-
State capital grants	-	-	-	153,355
Charges for services	83,512	13,036	-	-
Licenses and fees	49,632	-	-	-
Investment income	568	594	1,161	3,321
Miscellaneous	38,598	3,031	-	-
<i>Total revenues</i>	<u>3,250,615</u>	<u>55,632</u>	<u>286,719</u>	<u>667,893</u>
<i>Expenditures</i>				
Current:				
General government	1,448,160	-	-	507
Public safety	1,438,974	-	-	-
Public works	1,248,637	-	463,592	-
Culture and recreation	390,061	4,408	-	-
Health and welfare	273,525	-	-	-
Capital outlay	74,155	115,763	-	-
Debt service:				
Principal	-	-	15,624	246,251
Interest	-	-	772	178,677
<i>Total expenditures</i>	<u>4,873,512</u>	<u>120,171</u>	<u>479,988</u>	<u>425,435</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,622,897)</u>	<u>(64,539)</u>	<u>(193,269)</u>	<u>242,458</u>
<i>Other financing sources (uses)</i>				
Transfers in	1,898,700	17,000	-	36,590
Transfers out	(180,056)	(35,000)	-	(18,590)
<i>Total other financing sources (uses)</i>	<u>1,718,644</u>	<u>(18,000)</u>	<u>-</u>	<u>18,000</u>
<i>Net change in fund balance</i>	<u>95,747</u>	<u>(82,539)</u>	<u>(193,269)</u>	<u>260,458</u>
<i>Fund balance - beginning of year</i>	1,103,349	33,640	166,975	3,240,200
<i>Fund balance - reclassification, Note 19</i>	-	724,947	1,290,604	(2,015,551)
<i>Fund balance - beginning as reclassified</i>	<u>1,103,349</u>	<u>758,587</u>	<u>1,457,579</u>	<u>1,224,649</u>
<i>Fund balance - end of year</i>	<u>\$ 1,199,096</u>	<u>\$ 676,048</u>	<u>\$ 1,264,310</u>	<u>\$ 1,485,107</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 161,150
-	3,099,823
-	100,914
201,831	284,960
489,349	958,384
-	153,355
24,395	120,943
-	49,632
301	5,945
33,342	74,971
<u>749,218</u>	<u>5,010,077</u>
185,043	1,633,710
266,735	1,705,709
36,465	1,748,694
45,846	440,315
31,128	304,653
190,262	380,180
56,756	318,631
2,358	181,807
<u>814,593</u>	<u>6,713,699</u>
<u>(65,375)</u>	<u>(1,703,622)</u>
82,481	2,034,771
(266,000)	(499,646)
<u>(183,519)</u>	<u>1,535,125</u>
<u>(248,894)</u>	<u>(168,497)</u>
730,178	5,274,342
-	-
<u>730,178</u>	<u>5,274,342</u>
<u>\$ 481,284</u>	<u>\$ 5,105,845</u>

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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, 2012

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	\$	(168,497)
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Change in net assets of internal service funds		(76,813)
--	--	----------

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 reported in the fund financial statements		380,180
Capital expenditures recorded in capital outlay reported in internal service fund		6,985
Depreciation expense		(360,878)

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

Increase in deferred revenue related to property taxes receivable		625
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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		(139,926)
Decrease in accrued interest		780

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		(4,817)
Principal payments on loans and notes payable		318,631

Change in net assets of governmental activities	\$	<u>(43,730)</u>
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The accompanying notes are an integral part of these financial statements

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ 143,691	\$ 155,000	\$ 158,900	\$ 3,900
Gross receipts	2,327,500	2,327,500	2,334,833	7,333
Gasoline and motor vehicle	22,800	23,500	24,189	689
Other	79,700	84,100	84,303	203
Intergovernmental income:				
State operating grant	296,214	327,904	383,901	55,997
Charges for services	54,900	67,084	83,512	16,428
Licenses and fees	42,570	46,800	49,632	2,832
Investment income	300	425	568	143
Miscellaneous	3,200	3,200	38,598	35,398
<i>Total revenues</i>	<u>2,970,875</u>	<u>3,035,513</u>	<u>3,158,436</u>	<u>122,923</u>
<i>Expenditures</i>				
Current:				
General government	1,510,695	1,464,879	1,425,741	39,138
Public safety	1,554,604	1,536,067	1,489,351	46,716
Public works	1,184,656	1,365,578	1,154,951	210,627
Culture and recreation	417,276	423,258	386,799	36,459
Health and welfare	257,400	258,000	265,293	(7,293)
Capital outlay	118,000	118,000	200,301	(82,301)
<i>Total expenditures</i>	<u>5,042,631</u>	<u>5,165,782</u>	<u>4,922,436</u>	<u>243,346</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,071,756)</u>	<u>(2,130,269)</u>	<u>(1,764,000)</u>	<u>366,269</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(176,944)	(218,431)	-	218,431
Transfers in	2,248,700	2,348,700	1,898,700	(450,000)
Transfers out	-	-	(180,056)	(180,056)
<i>Total other financing sources (uses)</i>	<u>2,071,756</u>	<u>2,130,269</u>	<u>1,718,644</u>	<u>(411,625)</u>
<i>Net change in fund balance</i>	-	-	(45,356)	(45,356)
<i>Fund balance - beginning of year</i>	-	-	875,279	875,279
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 829,923</u>	<u>\$ 829,923</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (45,356)	
Adjustments to revenues for property taxes and state operating grants.			92,179	
Adjustments to expenditures for salaries and operating expenses.			48,924	
Net change in fund balance (GAAP)			<u>\$ 95,747</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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	400	400	635	235
Other	-	-	6	6
Intergovernmental income:				
State operating grant	-	100,000	38,330	(61,670)
State capital grant	-	-	-	-
Charges for services	10,000	16,500	13,036	(3,464)
Licenses and fees	-	-	-	-
Investment income	-	-	594	594
Miscellaneous	-	-	3,031	3,031
<i>Total revenues</i>	<u>10,400</u>	<u>116,900</u>	<u>55,632</u>	<u>(61,268)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	35,250	36,150	18,783	17,367
Health and welfare	-	-	-	-
Capital outlay	300,000	400,000	101,388	298,612
<i>Total expenditures</i>	<u>335,250</u>	<u>436,150</u>	<u>120,171</u>	<u>315,979</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(324,850)</u>	<u>(319,250)</u>	<u>(64,539)</u>	<u>254,711</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	324,850	319,250	-	(319,250)
Transfers in	-	150,000	17,000	(133,000)
Transfers out	-	(150,000)	(35,000)	115,000
<i>Total other financing sources (uses)</i>	<u>324,850</u>	<u>319,250</u>	<u>(18,000)</u>	<u>(337,250)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(82,539)</u>	<u>(82,539)</u>
<i>Fund balance - beginning of year</i>	-	-	33,640	33,640
<i>Fund balance - reclassification</i>	-	-	724,947	724,947
<i>Fund balance - beginning as reclassified</i>	<u>-</u>	<u>-</u>	<u>758,587</u>	<u>758,587</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,048</u>	<u>\$ 676,048</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (82,539)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (82,539)</u>	

The accompanying notes are an integral part of these financial statements

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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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	178,000	178,000	135,843	(42,157)
Gasoline and motor vehicle	78,000	78,000	76,725	(1,275)
Intergovernmental income:				
State operating grant	42,100	42,100	42,100	-
State capital grant	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	1,161	1,161
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>298,100</u>	<u>298,100</u>	<u>255,829</u>	<u>(42,271)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,481,743	1,496,743	463,813	1,032,930
Debt Service:				
Principal	-	-	15,684	(15,684)
Interest	733	733	712	21
<i>Total expenditures</i>	<u>1,482,476</u>	<u>1,497,476</u>	<u>480,209</u>	<u>1,017,267</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,184,376)</u>	<u>(1,199,376)</u>	<u>(224,380)</u>	<u>974,996</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,184,376	1,199,376	-	(1,199,376)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,184,376</u>	<u>1,199,376</u>	<u>-</u>	<u>(1,199,376)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(224,380)</u>	<u>(224,380)</u>
<i>Fund balance - beginning of year</i>	-	-	167,620	167,620
<i>Fund balance - reclassification</i>	-	-	1,290,604	1,290,604
<i>Fund balance - beginning as reclassified</i>	<u>-</u>	<u>-</u>	<u>1,458,224</u>	<u>1,458,224</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,233,844</u>	<u>\$ 1,233,844</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (224,380)	
Adjustments to revenues for gross receipts tax revenues.			30,890	
Adjustments to expenditures for salaries expenses.			221	
Net change in fund balance (GAAP)			<u>\$ (193,269)</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, 2012

	Business-Type Activities - Enterprise Funds			
	Joint Utility Fund	Airport Fund	Solid Waste Fund	Total Non- Major Funds
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 4,270,806	\$ 119,687	\$ 51,207	\$ 28,628
Investments	367,239	-	567,213	-
Receivables				
Utility receivables, net	1,348,900	-	-	-
Due from other governments	133,244	-	12,915	-
Inventory	1,350,481	36,953	-	-
Due from other funds	-	-	-	-
<i>Total current assets</i>	<u>7,470,670</u>	<u>156,640</u>	<u>631,335</u>	<u>28,628</u>
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	2,326,804	-	-	-
Restricted investments	256,000	-	-	-
Bond issuance costs (net of amortization of \$1,100)	38,484	-	-	-
Capital assets	12,494,907	3,007,520	2,562,790	1,271,461
Accumulated depreciation	(7,571,727)	(682,986)	(2,047,702)	(474,600)
<i>Total noncurrent assets</i>	<u>7,544,468</u>	<u>2,324,534</u>	<u>515,088</u>	<u>796,861</u>
<i>Total assets</i>	<u>\$ 15,015,138</u>	<u>\$ 2,481,174</u>	<u>\$ 1,146,423</u>	<u>\$ 825,489</u>
<i>Liabilities and Net Assets</i>				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 1,387,643	\$ 7,402	\$ -	\$ 1,781
Accrued payroll expenses	70,741	2,203	-	-
Accrued compensated absences	107,937	1,926	-	-
Customer deposits	159,286	-	-	-
Accrued interest	48,904	-	-	-
Current maturity of loans, notes and capital leases payable	342,719	-	137,391	-
<i>Total current liabilities</i>	<u>2,117,230</u>	<u>11,531</u>	<u>137,391</u>	<u>1,781</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences	79,766	6,192	-	-
Accrued landfill closure costs	-	-	650,710	-
Bonds payable	-	-	-	-
Leases and notes payable	5,227,956	-	-	-
<i>Total noncurrent liabilities</i>	<u>5,307,722</u>	<u>6,192</u>	<u>650,710</u>	<u>-</u>
<i>Total liabilities</i>	<u>7,424,952</u>	<u>17,723</u>	<u>788,101</u>	<u>1,781</u>
<i>Net assets</i>				
Invested in capital assets, net of related debt, Note 1	539,218	2,324,534	377,697	796,861
Unrestricted	7,050,968	138,917	(19,375)	26,847
<i>Total net assets</i>	<u>7,590,186</u>	<u>2,463,451</u>	<u>358,322</u>	<u>823,708</u>
<i>Total liabilities and net assets</i>	<u>\$ 15,015,138</u>	<u>\$ 2,481,174</u>	<u>\$ 1,146,423</u>	<u>\$ 825,489</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 4,470,328	\$ 79,094
934,452	-
1,348,900	-
146,159	-
1,387,434	37,018
-	-
<u>8,287,273</u>	<u>116,112</u>
2,326,804	-
256,000	-
38,484	-
19,336,678	-
(10,777,015)	-
<u>11,180,951</u>	<u>-</u>
<u>\$ 19,468,224</u>	<u>\$ 116,112</u>
\$ 1,396,826	\$ -
72,944	-
109,863	-
159,286	-
48,904	-
480,110	-
<u>2,267,933</u>	<u>-</u>
85,958	-
650,710	-
-	-
5,227,956	-
<u>5,964,624</u>	<u>-</u>
8,232,557	-
4,038,310	-
<u>7,197,357</u>	<u>116,112</u>
11,235,667	116,112
<u>\$ 19,468,224</u>	<u>\$ 116,112</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, 2012

	Business-Type Activities - Enterprise Funds			
	Joint Utility Fund	Airport Fund	Solid Waste Fund	Total Non-Major Funds
<i>Operating revenues</i>				
Charges for services	\$ 10,906,254	\$ 202,683	\$ 100,597	\$ 20,678
<i>Total operating revenues</i>	<u>10,906,254</u>	<u>202,683</u>	<u>100,597</u>	<u>20,678</u>
<i>Operating expenses</i>				
General operating	5,491,895	228,776	241,130	58,716
Personnel services	1,738,995	100,912	-	-
Depreciation	248,353	82,193	102,264	26,606
<i>Total operating expenses</i>	<u>7,479,243</u>	<u>411,881</u>	<u>343,394</u>	<u>85,322</u>
<i>Operating income (loss)</i>	<u>3,427,011</u>	<u>(209,198)</u>	<u>(242,797)</u>	<u>(64,644)</u>
<i>Non-operating revenues (expenses)</i>				
Interest expense	(162,276)	-	(9,749)	-
Investment income	22,638	21	2,730	10
Gross receipts taxes	-	9,122	35,500	-
Miscellaneous income	121,951	24,212	-	-
<i>Total non-operating revenues (expenses)</i>	<u>(17,687)</u>	<u>33,355</u>	<u>28,481</u>	<u>10</u>
<i>Income (loss) before contributions and transfers</i>	<u>3,409,324</u>	<u>(175,843)</u>	<u>(214,316)</u>	<u>(64,634)</u>
Government contributions	243,550	-	-	-
Transfers in	1,185,826	87,519	180,000	40,700
Transfers out	(2,989,651)	(9,519)	(30,000)	-
<i>Change in net assets</i>	1,849,049	(97,843)	(64,316)	(23,934)
<i>Total net assets, beginning of year</i>	<u>5,741,137</u>	<u>2,561,294</u>	<u>422,638</u>	<u>847,642</u>
<i>Total net assets, end of year</i>	<u>\$ 7,590,186</u>	<u>\$ 2,463,451</u>	<u>\$ 358,322</u>	<u>\$ 823,708</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 11,230,212	\$ 15,214
<u>11,230,212</u>	<u>15,214</u>
6,020,517	92,027
1,839,907	-
459,416	-
<u>8,319,840</u>	<u>92,027</u>
<u>2,910,372</u>	<u>(76,813)</u>
(172,025)	-
25,399	-
44,622	-
146,163	-
<u>44,159</u>	<u>-</u>
<u>2,954,531</u>	<u>(76,813)</u>
243,550	-
1,494,045	-
(3,029,170)	-
<u>1,662,956</u>	<u>(76,813)</u>
<u>9,572,711</u>	<u>192,925</u>
<u>\$ 11,235,667</u>	<u>\$ 116,112</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Joint Utility Fund	Airport Fund	Solid Waste Fund	Total Non-Major Funds
<i>Cash flows from operating activities</i>				
Cash received from user charges	\$ 10,575,479	\$ 243,687	\$ 87,682	\$ 20,678
Cash payments to employees for services	4,915	(1,357)	-	-
Cash payments to suppliers for goods and services	(6,009,640)	(319,604)	(241,130)	(56,935)
<i>Net cash provided (used) by operating activities</i>	<u>4,570,754</u>	<u>(77,274)</u>	<u>(153,448)</u>	<u>(36,257)</u>
<i>Cash flows from noncapital financing activities</i>				
Government contributions	243,550	9,122	35,500	-
Miscellaneous income	121,951	24,212	-	-
Payments of accrued compensated absences	79,766	-	-	-
Accrued Landfill closure costs	-	-	240,025	-
Transfers	(1,803,825)	78,000	150,000	40,700
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(1,358,558)</u>	<u>111,334</u>	<u>425,525</u>	<u>40,700</u>
<i>Cash flows from investing activities</i>				
Acquisition of capital assets	(1,536,710)	-	-	(22,428)
Interest on investments	22,638	21	2,730	10
<i>Net cash provided (used) by investing activities</i>	<u>(1,514,072)</u>	<u>21</u>	<u>2,730</u>	<u>(22,418)</u>
<i>Cash flows from capital and related financing activities</i>				
Interest paid	(183,051)	-	(9,749)	-
Proceeds from issuance of long-term debt	1,516,000	-	-	-
Principal payments on bonds, loans and notes payable	(272,972)	6,192	(71,151)	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>1,059,977</u>	<u>6,192</u>	<u>(80,900)</u>	<u>-</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	2,758,101	40,273	193,907	(17,975)
<i>Cash and cash equivalents - beginning of year</i>	4,462,748	79,414	424,513	46,603
<i>Cash and cash equivalents - reclassification</i>	(256,000)	-	-	-
<i>Cash and cash equivalents - beginning as reclassified</i>	<u>4,206,748</u>	<u>79,414</u>	<u>424,513</u>	<u>46,603</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 6,964,849</u>	<u>\$ 119,687</u>	<u>\$ 618,420</u>	<u>\$ 28,628</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ 3,427,011	\$ (209,198)	\$ (242,797)	\$ (64,644)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	248,353	82,193	102,264	26,606
Changes in assets and liabilities				
Receivables	(330,775)	41,004	(12,915)	-
Bond issuance costs	(38,484)	-	-	-
Inventory	95,569	2,682	-	-
Accounts payable	1,164,235	7,402	-	1,781
Accrued payroll expenses	13,328	(3,283)	-	-
Accrued compensated absences	(8,413)	1,926	-	-
Meter deposits	(70)	-	-	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 4,570,754</u>	<u>\$ (77,274)</u>	<u>\$ (153,448)</u>	<u>\$ (36,257)</u>

The accompanying notes are an integral part of these financial statements

Total	Governmental Activities Internal Service Funds
\$ 10,927,526	\$ 15,214
3,558	-
(6,627,309)	(35,426)
<u>4,303,775</u>	<u>(20,212)</u>
288,172	-
146,163	-
79,766	-
240,025	-
<u>(1,535,125)</u>	<u>-</u>
<u>(780,999)</u>	<u>-</u>
(1,559,138)	-
25,399	-
<u>(1,533,739)</u>	<u>-</u>
(192,800)	-
1,516,000	-
<u>(337,931)</u>	<u>-</u>
<u>985,269</u>	<u>-</u>
2,974,306	(20,212)
5,013,278	99,306
(256,000)	-
<u>4,757,278</u>	<u>99,306</u>
<u>\$ 7,731,584</u>	<u>\$ 79,094</u>
\$ 2,910,372	\$ (76,813)
459,416	-
(302,686)	-
(38,484)	-
98,251	56,601
1,173,418	-
10,045	-
(6,487)	-
(70)	-
<u>\$ 4,303,775</u>	<u>\$ (20,212)</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies

The City of Truth or Consequences (City) was incorporated in 1917. The City operates under a Commission-Manager 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, 2012

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 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, 2012

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.

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. This fund includes state shared gross receipts tax income fund and state shared gas tax income fund.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The *Recreation Special Revenue Fund* is used 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.

The *Municipal Streets Special Revenue Fund* is used 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.

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. The Debt Service fund and Airport Enterprise fund are combined with funds that have identical activities for financial statement reporting.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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. Restricted investments have been reclassified from prior year classification of restricted cash and cash equivalents, due to the maturity date, and therefore are more accurately considered restricted investments.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

The City estimates the allowance for uncollectible accounts based off the days delinquent. The Town has estimated all accounts that are greater than 120 days to be uncollectible.

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 inventory 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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 an 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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

Nonspendable Fund Balance: At June 30, 2012, the nonspendable fund balance of the City is comprised of inventory in the general fund in the amount of \$78,492 which is not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2012, the restricted fund balance on the governmental funds balance sheet is made up of \$65,848 for public safety, \$797,039 for culture and recreation, \$1,264,310 for transportation and roads, \$99,280 for fire protection, \$ 55,518 for Veteran's Wall, \$1,485,107 for debt services expenditures, \$139,647 for capital projects, and \$769,611 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, 2012.

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. Significant unspent related debt proceeds of the joint utility fund in the amount of \$ 1,186,713 are not included in the reduction.
- 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 39 and 68-69.
- 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."

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 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)</u> <u>of revenues over expenditures</u>	
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>
Budgeted Funds:		
General Fund	\$ (2,071,756)	\$ (2,130,269)
Recreation Fund	\$ (324,850)	\$ (319,250)
Municipal Streets Fund	\$ (1,184,376)	\$ (1,199,376)
Debt Service Fund	\$ (150,552)	\$ (36,590)
Nonmajor Governmental Funds	\$ (285,055)	\$ (241,087)

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 2. Stewardship, Compliance and Accountability (continued)

	<u>Change in Net Assets</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
Joint Utility	\$ (3,107,826)	\$ (3,026,748)
Airport	\$ 29,350	\$ 71,229
Solid Waste	\$ 7,300	\$ (56,297)
Nonmajor Proprietary Funds	\$ 20,400	\$ 16,645

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

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund are included in each individual budgetary comparison.

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, 2012.

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 December 31, 2012 accounts held by an official custodian for a government unit are insured as follows:

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

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

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, 2012, \$8,342,757 of the City's bank balance of \$10,144,714 was subject to custodial credit risk. \$8,301,102 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name and \$41,655 of the City's deposits was uninsured and uncollateralized at June 30, 2012.

	Bank of the Southwest	Compass Bank	Total
Amount of deposits	\$ 7,167,894	\$ 2,976,820	\$ 10,144,714
Deposit Accounts covered by the "Dodd-Frank Deposit Insurance Provision"	(1,024,739)	-	(1,024,739)
FDIC Coverage	(500,000)	(277,218)	(777,218)
Total uninsured public funds	5,643,155	2,699,602	8,342,757
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	5,643,155	2,657,947	8,301,102
Uninsured and uncollateralized	\$ -	\$ 41,655	\$ 41,655
Collateral requirement (50% of uninsured funds)	\$ 2,821,578	\$ 1,349,801	\$ 4,171,379
Pledged Collateral	6,500,000	2,657,947	9,157,947
Over (Under) collateralized	\$ 3,678,423	\$ 1,308,146	\$ 4,986,569

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, 2012 include the following:

Investments	Rated	Weighted Average Maturity	Fair Value
U.S Treasury Money Market Mutual Funds	* AA+	** >365 days	\$ 2,665,208
New Mexico State Treasurer Debt Service	* AA+	** >365 days	149,211
			\$ 2,814,419

*Restricted investments per Exhibit A-1

** Based off Standards & Poor's rating

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

In addition to the restricted investments above there are \$1,464,981 of certificates of deposits that are greater than 90 days and therefore are considered investments in the Statement of Net Assets.

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 66% and 34%, 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).

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	\$ 5,991,833
Investments per Exhibit A-1	1,464,981
Restricted cash and cash equivalents per Exhibit A-1	2,326,804
Restricted investments per Exhibit A-1	<u>2,814,419</u>
 Total cash, cash equivalents and investments	 12,598,037
 Plus: outstanding checks	 408,410
Less outstanding deposits	(46,203)
Less: U.S. Treasury Money Market Mutual Fund	(2,665,208)
Less: State Treasurer Debt Service	(149,211)
Less: petty cash	<u>(1,111)</u>
 Bank balance of deposits	 <u><u>\$ 10,144,714</u></u>

NOTE 4. Receivables

Receivables as of June 30, 2012, are as follows:

	<u>General</u>	<u>Municipal Streets</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 30,470	\$ -	\$ -	\$ -	\$ 30,470
Other taxes:					
Gross receipts taxes	486,678	-	81,102	-	567,780
Gasoline and oil taxes	-	30,890	-	-	30,890
Franchise and lodgers taxes	-	-	-	14,879	14,879
Other receivables:					
Intergovernmental-grants:					
State	<u>26,191</u>	<u>-</u>	<u>-</u>	<u>104,479</u>	<u>130,670</u>
 Totals	 <u><u>\$ 543,339</u></u>	 <u><u>\$ 30,890</u></u>	 <u><u>\$ 81,102</u></u>	 <u><u>\$ 119,358</u></u>	 <u><u>\$ 774,689</u></u>

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 4. Receivables (continued)

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, 2012 was \$23,946.

Proprietary fund receivables as of June 30, 2012, are as follows:

	<u>Joint Utility</u>	<u>Airport</u>	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Total</u>
Utility receivables	\$2,053,213	\$ -	\$ -	\$ -	\$ 2,053,213
Less: Allowance for uncollectible accounts	(704,313)	-	-	-	(704,313)
Other receivables:					
Intergovernmental-grants:					
State	<u>133,244</u>	<u>-</u>	<u>-</u>	<u>12,915</u>	<u>146,159</u>
Totals	<u>\$1,482,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,915</u>	<u>\$ 1,495,059</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	\$ 1,898,700
Joint Utility Proprietary Fund	Solid Waste Proprietary Fund	180,000
Joint Utility Proprietary Fund	Joint Utility Proprietary Fund	854,826
Joint Utility Proprietary Fund	Recreation Special Revenue Fund	17,000
Joint Utility Proprietary Fund	Debt Service Fund	18,000
General Fund	Golf Course Proprietary Fund	40,700
General Fund	Airport Proprietary Fund	78,000
General Fund	Veterans Wall Capital Projects Fund	31,356
General Fund	Capital Expenditures Capital Projects Fund	25,000
General Fund	Correction Fees Special Revenue Fund	5,000
Recreation Special Revenue Fund	Joint Utility Proprietary Fund	35,000
Airport Proprietary Fund	Airport Proprietary Fund	9,519
Joint Utility Proprietary Fund	R&R Emergency Capital Projects Fund	3,125
Joint Utility Proprietary Fund	Capital Expenditures Capital Projects Fund	10,000
Solid Waste Proprietary Fund	Joint Utility Proprietary Fund	30,000
Morgan Street Flood Control Special Revenue Fund	Joint Utility Proprietary Fund	213,000
Joint Utility Proprietary Fund	DWI Grant Special Revenue Fund	8,000
DWI Grant Special Revenue Fund	Joint Utility Proprietary Fund	53,000
Debt Service Fund	Debt Service Fund	<u>18,590</u>
Total		<u>\$ 3,528,816</u>

The City does not pool their cash and therefore the City did not have any internal balances as of June 30, 2012.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012 follows. Land and construction in progress are not subject to depreciation.

Governmental Activities:

	Balance June 30, 2011	Adjustments to Net Assets	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 4,718,680	\$ -	\$ -	\$ -	\$ 4,718,680
Construction in progress	-	-	93,148	-	93,148
	<u>4,718,680</u>	<u>-</u>	<u>93,148</u>	<u>-</u>	<u>4,811,828</u>
Capital assets being depreciated:					
Buildings and improvements	8,154,100	-	-	-	8,154,100
Equipment	2,208,337	-	119,588	-	2,327,925
Infrastructure	2,283,856	-	49,195	-	2,333,051
Vehicles	1,571,995	-	125,234	45,366	1,651,863
	<u>14,218,288</u>	<u>-</u>	<u>294,017</u>	<u>45,366</u>	<u>14,466,939</u>
Total capital assets	<u>18,936,968</u>	<u>-</u>	<u>387,165</u>	<u>45,366</u>	<u>19,278,767</u>
Accumulated depreciation:					
Buildings and improvements	6,207,441	(8,030)	74,272	-	6,273,683
Equipment	1,599,480	(2,646)	144,216	-	1,741,050
Infrastructure	125,886	8,030	76,981	-	210,897
Vehicles	1,356,373	2,646	65,409	45,366	1,379,062
	<u>9,289,180</u>	<u>-</u>	<u>360,878</u>	<u>45,366</u>	<u>9,604,692</u>
Net Capital Assets	<u>\$ 9,647,788</u>	<u>\$ -</u>	<u>\$ 26,287</u>	<u>\$ -</u>	<u>\$ 9,674,075</u>

Depreciation expense for the year ended June 30, 2012 was charged to governmental activities as follows:

Total by Function	
General government	\$ 84,732
Public safety	71,976
Public works	61,357
Culture and recreation	114,684
Health and welfare	28,129
Total	<u>\$ 360,878</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 6. Capital Assets (continued)

Business-type Activities:

	<u>Balance June 30, 2011</u>	<u>Additions & Transfers In</u>	<u>Deletions & Transfers Out</u>	<u>Balance June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 1,755,406	\$ 18,877	\$ -	\$ 1,774,283
Construction in progress	41,746	1,295,230	-	1,336,976
	<u>1,797,152</u>	<u>1,314,107</u>	<u>-</u>	<u>3,111,259</u>
Capital assets being depreciated:				
Buildings and improvements	1,770,826	-	-	1,770,826
Utility Plant	6,284,564	26,327	-	6,310,891
Golf course infrastructure	1,860	-	-	1,860
Airport infrastructure	2,440,338	-	-	2,440,338
Equipment	3,638,795	218,704	-	3,857,499
Vehicles	1,844,005	-	-	1,844,005
	<u>15,980,388</u>	<u>245,031</u>	<u>-</u>	<u>16,225,419</u>
Total capital assets	<u>17,777,540</u>	<u>1,559,138</u>	<u>-</u>	<u>19,336,678</u>
Accumulated depreciation:				
Buildings and improvements	1,196,315	25,226	-	1,221,541
Utility Plant	4,154,536	163,568	-	4,318,104
Airport infrastructure	263,257	72,254	-	335,511
Equipment	3,100,862	127,702	-	3,228,564
Vehicles	1,602,629	70,666	-	1,673,295
	<u>10,317,599</u>	<u>459,416</u>	<u>-</u>	<u>10,777,015</u>
Net Book Value	<u>\$ 7,459,941</u>	<u>\$ 1,099,722</u>	<u>\$ -</u>	<u>\$ 8,559,663</u>

Depreciation expense for the year ended June 30, 2012 was charged to business-type activities as follows:

Joint Utility Fund	\$ 248,353
Airport Fund	82,193
Solid Waste Fund	102,264
Golf Course Fund	22,751
Cemetery Fund	3,855
Total	<u>\$ 459,416</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

Governmental Activities	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Leases Payable					
Key Equipment Finance - Front end loader tractor	\$ 23,712	\$ -	\$ 15,624	\$ 8,088	\$ 8,088
John Deere Credit - tractor with loader	4,249	-	4,249	-	-
John Deere Credit - tractor with loader	1,865	-	1,865	-	-
Government Capital Corporation	27,903	-	27,903	-	-
Total Leases Payable	<u>57,729</u>	<u>-</u>	<u>49,641</u>	<u>8,088</u>	<u>8,088</u>
NMFA Loans- Notes Payable					
NMFA Construction & Repairs of Streets and Sidewalks	2,014,133	-	78,650	1,935,483	83,891
NMFA Refinance Improvement Bonds	2,688,802	-	155,000	2,533,802	155,000
NMFA Fire Equipment	22,739	-	22,739	-	-
NMFA Police Department Building	204,896	-	12,601	192,295	12,725
Total NMFA Loans- Notes Payable	<u>4,930,570</u>	<u>-</u>	<u>268,990</u>	<u>4,661,580</u>	<u>251,616</u>
Compensated Absences	199,543	327,140	187,214	339,469	187,214
Total Long-term debt	<u>\$ 5,187,842</u>	<u>\$ 327,140</u>	<u>\$ 505,845</u>	<u>\$ 5,009,137</u>	<u>\$ 446,918</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
2013	\$ 8,088	\$ 108	\$ 8,196

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

NMFA Loans- Notes Payable

On October 13, 2009, the City adopted into Ordinance No. 601 to enter into an agreement to borrow \$2,046,949 from the New Mexico Finance Authority. Loan was funded on November 20, 2009. 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.

The annual requirements to amortize the NMFA loan as of June 30, 2012, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	90,893	59,743	150,636
2018-2022	494,991	258,189	753,180
2023-2027	589,642	163,538	753,180
2028-2030	415,184	37,177	452,361
	<u>\$ 1,935,483</u>	<u>\$ 776,418</u>	<u>\$ 2,711,901</u>

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

The annual requirements to amortize the NMFA loan as of June 30, 2012, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	114,211	84,231	198,442
2018-2022	636,646	355,563	992,209
2023-2027	788,185	204,024	992,209
2028-2029	359,760	26,536	386,296
	<u>\$ 2,533,802</u>	<u>\$ 1,061,055</u>	<u>\$ 3,594,857</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

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, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	13,278	1,539	14,817
2018-2022	68,843	5,745	74,588
2023-2026	58,477	1,827	60,304
	<u>\$ 192,295</u>	<u>\$ 16,355</u>	<u>\$ 208,650</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, 2012, compensated absences increased \$139,926 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, 2012

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, 2012:

Business-Type Activities	Balance <u>June 30, 2011</u>	Additions	Deletions	Balance <u>June 30, 2012</u>	Due Within <u>One Year</u>
Revenue Bonds					
Series 1998 US Dept of Agriculture - utility system 91-04	\$ 244,075	\$ -	\$ 5,000	\$ 239,075	\$ 5,000
Series 1996 US Dept of Agriculture - Extension & Improvements utility system	788,000	-	18,000	770,000	18,000
Series 1996 US Dept of Agriculture - Extension & Improvements utility	532,500	-	11,000	521,500	12,000
Series 2012 Solid Waste Revenue bonds	-	1,260,000	20,000	1,240,000	70,000
Total Revenue Bonds	<u>1,564,575</u>	<u>1,260,000</u>	<u>54,000</u>	<u>2,770,575</u>	<u>105,000</u>
Lease Purchase Payable					
John Deere Credit - waste handler truck	143,513	-	39,406	104,107	104,107
Kansas State Bank - side loader refuse truck	65,029	-	31,745	33,284	33,284
Total Lease Purchase Payable	<u>208,542</u>	<u>-</u>	<u>71,151</u>	<u>137,391</u>	<u>137,391</u>
Loans Payable					
NMFA Storage Tanks	1,049,493	-	93,566	955,927	95,902
NMFA Low voltage feeder line	1,187,049	-	73,140	1,113,909	75,484
NM Environment Department - utility system	212,781	-	27,769	185,012	28,602
NM Environment Department - utility system 95-16	313,749	-	24,497	289,252	25,232
NMFA Ground Storage Tanks	-	256,000	-	256,000	12,499
Total Loans Payable	<u>2,763,072</u>	<u>256,000</u>	<u>218,972</u>	<u>2,800,100</u>	<u>237,719</u>
Landfill Closure and post closure	410,685	240,025	-	650,710	-
Compensated Absences	116,350	189,334	109,863	195,821	109,863
Total Long-term debt	<u>\$ 5,063,224</u>	<u>\$ 1,945,359</u>	<u>\$ 453,986</u>	<u>\$ 6,554,597</u>	<u>\$ 589,973</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 18, 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, 2012

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the revenue bonds as of June 30, 2012, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 5,000	\$ 11,356	\$ 16,356
2014	5,000	11,119	16,119
2015	5,000	10,881	15,881
2016	6,000	10,644	16,644
2017	6,000	10,359	16,359
2018-2022	35,000	47,233	82,233
2023-2027	44,000	38,113	82,113
2028-2032	54,000	26,713	80,713
2033-2037	69,000	12,463	81,463
2038	10,075	479	10,554
	<u>\$ 239,075</u>	<u>\$ 179,360</u>	<u>\$ 418,435</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, 2012, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	22,000	31,140	53,140
2018-2022	125,000	139,950	264,950
2023-2027	157,000	109,080	266,080
2028-2032	196,000	70,470	266,470
2033-2036	192,000	22,275	214,275
	<u>\$ 770,000</u>	<u>\$ 506,475</u>	<u>\$ 1,276,475</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

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, 2012, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	14,000	21,218	35,218
2018-2022	80,000	96,008	176,008
2023-2027	100,000	76,388	176,388
2028-2032	125,000	51,638	176,638
2033-2037	152,500	20,993	173,493
	<u>\$ 521,500</u>	<u>\$ 356,832</u>	<u>\$ 878,332</u>

On February 1, 2012, the City issued Solid Waste revenue bonds in the amount of \$1,260,000 for the purposes of the extension, enlargement, betterment, repair and other improvements to the utility system. The bond bears interest at 3.95% per annum and matures on June 1, 2026. 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, 2012, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 70,000	\$ 48,980	\$ 118,980
2014	70,000	46,215	116,215
2015	75,000	43,450	118,450
2016	75,000	40,488	115,488
2017	80,000	37,525	117,525
2018-2022	445,000	138,252	583,252
2023-2026	425,000	42,660	467,660
	<u>\$ 1,240,000</u>	<u>\$ 397,570</u>	<u>\$ 1,637,570</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

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>
2013	\$ 104,107	\$ 3,562	\$ 107,669

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>
2013	\$ 33,284	\$ 1,614	\$ 34,898

Loans Payable

On October 31, 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, 2012, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	105,955	12,905	118,860
2018-2021	<u>451,653</u>	<u>26,575</u>	<u>478,228</u>
	<u>\$ 955,927</u>	<u>\$ 114,017</u>	<u>\$ 1,069,944</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

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, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	86,639	30,324	116,963
2018-2022	486,033	102,335	588,368
2023-2024	223,456	13,732	237,188
	<u>\$ 1,113,909</u>	<u>\$ 294,371</u>	<u>\$ 1,408,280</u>

On April 19, 1995, the City borrowed \$407,713 from the New Mexico Environment Department. The note matures on November 21, 2017, and accrues interest at 3.00% per annum. Loan amendment was entered into on July 26, 1996. 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, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	32,192	1,961	34,153
2018	33,159	995	34,154
	<u>\$ 185,012</u>	<u>\$ 19,904</u>	<u>\$ 204,916</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

On July 26, 1996, amended to July 26, 2010, 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, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 25,232	\$ 8,678	\$ 33,910
2014	25,989	7,921	33,910
2015	26,768	7,041	33,809
2016	27,571	6,338	33,909
2017	28,398	5,511	33,909
2018-2022	155,294	14,252	169,546
	<u>\$ 289,252</u>	<u>\$ 49,741</u>	<u>\$ 338,993</u>

On December 30, 2011 the City borrowed \$256,000 from the New Mexico Environment Department. The note matures on June 1, 2032, with 0% interest rate with an administrative fee component of ¼ of 1%. 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, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 12,499	\$ -	\$ 12,499
2014	12,530	-	12,530
2015	12,561	-	12,561
2016	12,593	-	12,593
2017	12,624	-	12,624
2018-2022	63,596	-	63,596
2023-2027	64,395	-	64,395
2028-2032	65,202	-	65,202
	<u>\$ 256,000</u>	<u>\$ -</u>	<u>\$ 256,000</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, 2012, compensated absences increased \$79,471 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, 2012

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, 2012, 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, 2012.
- 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, 2012.
- 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, 2012.

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: 7.00% for law enforcement, 12.35% for enhanced law enforcement, and 13.15% for municipal employees. The Town is required to contribute the following percentages of the gross covered salary: 15.00% for law enforcement employees, 18.50% for enhanced law enforcement, and 13.15% for municipal employees. The contribution requirements of plan members and the Town are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$323,103 \$316,263, and \$307,348, 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, 2012

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

(1)

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.000%	1.000%

(2)

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary; and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.500%	1.250%

Also, employers joining the program after January 1, 1998, 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, 2012, 2011, and 2010 were \$87,839, \$77,558, and \$39,157, respectively, which equal the required contributions for each year.

NOTE 12. Contingent Liabilities

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self Insurers Fund. The maximum exposure of the City is not estimable as of June 30, 2012 in the remaining cases.

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 \$650,710 as of June 30, 2012 which is based on 85 percent usage (filled) of the landfill. The increase of landfill closure and post closure costs is due to an increase in inflation rate of 13.8% calculated using the most recent Consumer Price Index values provided by the Bureau of Labor Statistics; a method approved by New Mexico Environmental Department Solid Waste Bureau. 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 (\$650,710) 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, 2012. 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 has significant construction or other significant commitments as of June 30, 2012 as follows:

<u>Project Description</u>	<u>Contract Amount Remaining</u>	<u>Estimated Date of Completion</u>	<u>Contractor</u>
Construction to water storage tanks	\$1,186,713	September 2012	Luckinbill, Inc

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2012, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is November 29, 2012 which is the date on which the financial statements were issued.

The City entered into a Public Project Revolving Fund Loan with NMFA in the amount of \$155,000 for the Storage Tank project; The City received a Grant in the amount of \$400,000 to equip and construct the Collection Center; The City received two (2) Airport Grants from FAA for Taxiway B. One grant in the amount of \$15,000 for the Design and the other \$432,202 for Reconstruction of Taxiway B.

NOTE 17. Restricted Net Assets

The government-wide statement of net assets reports \$3,534,435 of restricted net assets, all of which is restricted by enabling legislation. See pages 39, and 68-69 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.

NOTE 19. Fund Balance Reclassification

In the prior year the City had a repeated financial statement finding as FS 2007-03 for not recording NMFA cash that was held by a third party. This cash was recorded in the Debt Service fund, in which the debt was paid. This cash had to be reclassified from debt service due to the expenses being budgeted and paid out of separate funds for reimbursement basis loans. Total reclassification was \$(2,015,551) from Debt Service to the Recreation Special Revenue fund in the amount of \$724,947 and Municipal Streets Special Revenue fund in the amount of \$1,290,604.

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 adopted on May 14, 1998 and revised on July 15, 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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 20. Joint Powers Agreement (continued)

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 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 (EMNRD) 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 30 days of written notice.

The City is a participant in a joint powers agreement with the Sierra Joint Office (SJOA) 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 30 days 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 for \$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.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2012

NOTE 21. Subsequent Pronouncements (continued)

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 March 2012, Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental and Proprietary Funds
June 30, 2012

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.

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.

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.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental and Proprietary Funds
June 30, 2012

PROPRIETARY FUNDS

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.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Special Revenue

	Fire Protection Fund	Correction Fees Fund	Law Enforcement Protection Fund	Lodger's Tax Fund
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ 99,944	\$ 4,800	\$ 8,953	\$ 96,288
Restricted cash and cash equivalents	4	-	-	-
Receivables:				
Other taxes	-	-	-	14,879
Due from other governments	-	-	-	-
<i>Total assets</i>	<u>\$ 99,948</u>	<u>\$ 4,800</u>	<u>\$ 8,953</u>	<u>\$ 111,167</u>
<i>Liabilities</i>				
Accounts payable	\$ 668	\$ 1,185	\$ -	\$ 937
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
<i>Total liabilities</i>	<u>668</u>	<u>1,185</u>	<u>-</u>	<u>937</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	3,615	8,953	-
Culture and recreation	-	-	-	110,230
Transportation and roads	-	-	-	-
Fire protection	99,280	-	-	-
Veteran's Wall	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Committed to:				
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>99,280</u>	<u>3,615</u>	<u>8,953</u>	<u>110,230</u>
<i>Total liabilities and fund balances</i>	<u>\$ 99,948</u>	<u>\$ 4,800</u>	<u>\$ 8,953</u>	<u>\$ 111,167</u>

The accompanying notes are an integral part of these financial statements

Special Revenue				Capital Projects	
DWI Grant Fund	State Library Fund	Veteran's Wall Perpetual Care Fund	Federal Seizures Share Fund	Senior Transportation Fund	Capital Expenditures Fund
\$ 40,707	\$ 10,761	\$ 23,979	\$ 59	\$ 11,649	\$ 10,976
-	-	-	-	-	-
-	-	-	-	-	-
28,711	-	-	-	75,768	-
<u>\$ 69,418</u>	<u>\$ 10,761</u>	<u>\$ 23,979</u>	<u>\$ 59</u>	<u>\$ 87,417</u>	<u>\$ 10,976</u>
\$ 11,974	\$ -	\$ -	\$ -	\$ -	\$ 6,526
4,223	-	-	-	-	-
-	-	-	-	-	-
16,197	-	-	-	-	6,526
53,221	-	-	59	-	-
-	10,761	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	23,979	-	-	-
-	-	-	-	-	-
-	-	-	-	87,417	4,450
-	-	-	-	-	-
-	-	-	-	-	-
53,221	10,761	23,979	59	87,417	4,450
<u>\$ 69,418</u>	<u>\$ 10,761</u>	<u>\$ 23,979</u>	<u>\$ 59</u>	<u>\$ 87,417</u>	<u>\$ 10,976</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Capital Projects

	Morgan Street Flood Control Fund	R & R Emergency Fund	Veteran's Wall Fund	CDBG Fund
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ 1,349	\$ 44,312	\$ 31,639	\$ 2,119
Restricted cash and cash equivalents	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Due from other governments	-	-	-	-
<i>Total assets</i>	<u>\$ 1,349</u>	<u>\$ 44,312</u>	<u>\$ 31,639</u>	<u>\$ 2,119</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 100	\$ -
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Fire protection	-	-	-	-
Veteran's Wall	-	-	31,539	-
Debt service expenditures	-	-	-	-
Capital projects	1,349	44,312	-	2,119
Committed to:				
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>1,349</u>	<u>44,312</u>	<u>31,539</u>	<u>2,119</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,349</u>	<u>\$ 44,312</u>	<u>\$ 31,639</u>	<u>\$ 2,119</u>

The accompanying notes are an integral part of these financial statements

Total Nonmajor
Governmental Funds

\$ 387,535
4

14,879
104,479

\$ 506,897

\$ 21,390
4,223

-
25,613

65,848
120,991
-
99,280
55,518
-
139,647

-
-
481,284

\$ 506,897

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, 2012

	Special Revenue			
	Fire Protection Fund	Correction Fees Fund	Law Enforcement Protection Fund	Lodger's Tax Fund
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	201,831
Intergovernmental				
State operating grants	106,383	-	27,800	5,320
State capital grants	-	-	-	-
Charges for services	-	15,080	-	-
Investment income	127	-	-	146
Miscellaneous	12	-	-	-
<i>Total revenues</i>	<u>106,522</u>	<u>15,080</u>	<u>27,800</u>	<u>207,297</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	167,223
Public safety	79,432	21,861	7,630	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	14,128	20,299
Debt service:				
Principal	22,739	-	-	34,017
Interest	273	-	-	2,085
<i>Total expenditures</i>	<u>102,444</u>	<u>21,861</u>	<u>21,758</u>	<u>223,624</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>4,078</u>	<u>(6,781)</u>	<u>6,042</u>	<u>(16,327)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	5,000	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	4,078	(1,781)	6,042	(16,327)
<i>Fund balances - beginning of year</i>	<u>95,202</u>	<u>5,396</u>	<u>2,911</u>	<u>126,557</u>
<i>Fund balances - end of year</i>	<u>\$ 99,280</u>	<u>\$ 3,615</u>	<u>\$ 8,953</u>	<u>\$ 110,230</u>

The accompanying notes are an integral part of these financial statements

Special Revenue				Capital Projects	
DWI Grant Fund	State Library Fund	Veteran's Wall Perpetual Care Fund	Federal Seizures Share Fund	Senior Transportation Fund	Capital Expenditures Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
152,261	14,945	-	34,120	114,303	34,217
-	-	-	-	-	-
8,540	-	775	-	-	-
-	-	-	7	-	21
-	1,715	-	-	-	6,615
<u>160,801</u>	<u>16,660</u>	<u>775</u>	<u>34,127</u>	<u>114,303</u>	<u>40,853</u>
-	-	-	-	-	-
157,812	-	-	-	-	-
-	-	-	-	-	36,465
-	20,185	-	-	-	-
-	-	-	34,460	84,095	37,280
-	-	-	-	-	-
-	-	-	-	-	-
<u>157,812</u>	<u>20,185</u>	<u>-</u>	<u>34,460</u>	<u>115,223</u>	<u>73,745</u>
<u>2,989</u>	<u>(3,525)</u>	<u>775</u>	<u>(333)</u>	<u>(920)</u>	<u>(32,892)</u>
8,000	-	-	-	-	35,000
(53,000)	-	-	-	-	-
<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
(42,011)	(3,525)	775	(333)	(920)	2,108
<u>95,232</u>	<u>14,286</u>	<u>23,204</u>	<u>392</u>	<u>88,337</u>	<u>2,342</u>
<u>\$ 53,221</u>	<u>\$ 10,761</u>	<u>\$ 23,979</u>	<u>\$ 59</u>	<u>\$ 87,417</u>	<u>\$ 4,450</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, 2012

Capital Projects

	Morgan Street Flood Control Fund	R & R Emergency Fund	Veteran's Wall Fund	CDBG Fund
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	25,000	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	17,820	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	25,661	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>17,820</u>	<u>25,661</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(17,820)</u>	<u>(661)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	3,125	31,356	-
Transfers out	(213,000)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(213,000)</u>	<u>3,125</u>	<u>31,356</u>	<u>-</u>
<i>Net change in fund balances</i>	(213,000)	(14,695)	30,695	-
<i>Fund balances - beginning of year</i>	<u>214,349</u>	<u>59,007</u>	<u>844</u>	<u>2,119</u>
<i>Fund balances - end of year</i>	<u>\$ 1,349</u>	<u>\$ 44,312</u>	<u>\$ 31,539</u>	<u>\$ 2,119</u>

The accompanying notes are an integral part of these financial statements

Total Nonmajor
Governmental
Funds

\$	-
	-
	-
	201,831
	489,349
	-
	24,395
	301
	33,342
	<u>749,218</u>
	185,043
	266,735
	36,465
	45,846
	190,262
	56,756
	2,358
	<u>814,593</u>
	<u>(65,375)</u>
	82,481
	<u>(266,000)</u>
	<u>(183,519)</u>
	(248,894)
	<u>730,178</u>
\$	<u>481,284</u>

STATE OF NEW MEXICO

Statement B-1

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, 2012

	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	84,279	84,279	83,371	(908)
Investment income	150	150	127	(23)
Miscellaneous	-	-	21	21
<i>Total revenues</i>	<u>84,429</u>	<u>84,429</u>	<u>83,519</u>	<u>(910)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	151,119	179,594	78,764	100,830
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>151,119</u>	<u>179,594</u>	<u>78,764</u>	<u>100,830</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(66,690)</u>	<u>(95,165)</u>	<u>4,755</u>	<u>99,920</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	66,690	95,165	-	(95,165)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>66,690</u>	<u>95,165</u>	<u>-</u>	<u>(95,165)</u>
<i>Net change in fund balance</i>	-	-	4,755	4,755
<i>Fund balance - beginning of year</i>	-	-	95,193	95,193
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,948</u>	<u>\$ 99,948</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 4,755	
Adjustments to revenues for state operating grants accruals.			23,003	
Adjustments to expenditures for salaries and operating expenses.			(23,680)	
Net change in fund balance (GAAP)			<u>\$ 4,078</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

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, 2012

	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	-	-	-	-
Charges for services	17,400	18,400	15,080	(3,320)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>17,400</u>	<u>18,400</u>	<u>15,080</u>	<u>(3,320)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	17,400	27,400	20,676	6,724
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>17,400</u>	<u>27,400</u>	<u>20,676</u>	<u>6,724</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(9,000)</u>	<u>(5,596)</u>	<u>3,404</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	4,000	-	(4,000)
Transfers in	-	5,000	5,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>9,000</u>	<u>5,000</u>	<u>(4,000)</u>
<i>Net change in fund balance</i>	-	-	(596)	(596)
<i>Fund balance - beginning of year</i>	-	-	5,396	5,396
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (596)	
No adjustments to revenues.			-	
Adjustments to expenditures for care of prisoners accruals.			(1,185)	
Net change in fund balance (GAAP)			<u>\$ (1,781)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	27,800	27,800	27,800	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>27,800</u>	<u>27,800</u>	<u>27,800</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	37,300	16,582	7,630	8,952
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	14,129	14,128	1
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,300</u>	<u>30,711</u>	<u>21,758</u>	<u>8,953</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(9,500)</u>	<u>(2,911)</u>	<u>6,042</u>	<u>8,953</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	9,500	2,911	-	(2,911)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>9,500</u>	<u>2,911</u>	<u>-</u>	<u>(2,911)</u>
<i>Net change in fund balance</i>	-	-	6,042	6,042
<i>Fund balance - beginning of year</i>	-	-	2,911	2,911
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,953</u>	<u>\$ 8,953</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 6,042	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 6,042</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Other	180,300	191,200	186,952	(4,248)
Intergovernmental				
State operating grants	-	-	5,320	5,320
Charges for services	-	-	-	-
Investment income	-	-	146	146
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>180,300</u>	<u>191,200</u>	<u>192,418</u>	<u>1,218</u>
<i>Expenditures:</i>				
Current:				
General government	179,800	199,800	167,223	32,577
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	12,000	12,000	20,299	(8,299)
Debt Service:				
Principal	37,214	37,214	35,165	2,049
Interest	-	-	-	-
<i>Total expenditures</i>	<u>229,014</u>	<u>249,014</u>	<u>222,687</u>	<u>26,327</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(48,714)</u>	<u>(57,814)</u>	<u>(30,269)</u>	<u>27,545</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	48,714	57,814	-	(57,814)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>48,714</u>	<u>57,814</u>	<u>-</u>	<u>(57,814)</u>
<i>Net change in fund balance</i>	-	-	(30,269)	(30,269)
<i>Fund balance - beginning of year</i>	-	-	126,557	126,557
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,288</u>	<u>\$ 96,288</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (30,269)	
Adjustments to revenues for lodger's tax and state operating grants accruals.			14,879	
Adjustments to expenditures for operating expenses accruals.			(937)	
Net change in fund balance (GAAP)			<u>\$ (16,327)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

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, 2012

	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	132,037	132,037	123,550	(8,487)
Charges for services	3,550	3,550	8,540	4,990
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>135,587</u>	<u>135,587</u>	<u>132,090</u>	<u>(3,497)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	140,337	160,224	151,515	8,709
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>140,337</u>	<u>160,224</u>	<u>151,515</u>	<u>8,709</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,750)</u>	<u>(24,637)</u>	<u>(19,425)</u>	<u>5,212</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	4,750	24,637	-	(24,637)
Transfers in	-	-	8,000	8,000
Transfers out	-	-	(53,000)	(53,000)
<i>Total other financing sources (uses)</i>	<u>4,750</u>	<u>24,637</u>	<u>(45,000)</u>	<u>(69,637)</u>
<i>Net change in fund balance</i>	-	-	(64,425)	(64,425)
<i>Fund balance - beginning of year</i>	-	-	105,132	105,132
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,707</u>	<u>\$ 40,707</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (64,425)	
Adjustments to revenues for charges for services and state operating grants accruals.			28,711	
Adjustments to expenditures for DWI expenses accrual.			(6,297)	
Net change in fund balance (GAAP)			<u>\$ (42,011)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

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, 2012

	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	35,776	35,776	14,945	(20,831)
Charges for services	-	-	-	-
Miscellaneous	2,000	2,000	1,715	(285)
<i>Total revenues</i>	<u>37,776</u>	<u>37,776</u>	<u>16,660</u>	<u>(21,116)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	43,954	43,954	20,185	23,769
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>43,954</u>	<u>43,954</u>	<u>20,185</u>	<u>23,769</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,178)</u>	<u>(6,178)</u>	<u>(3,525)</u>	<u>2,653</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	6,178	6,178	-	(6,178)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>6,178</u>	<u>6,178</u>	<u>-</u>	<u>(6,178)</u>
<i>Net change in fund balance</i>	-	-	(3,525)	(3,525)
<i>Fund balance - beginning of year</i>	-	-	14,286	14,286
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,761</u>	<u>\$ 10,761</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (3,525)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (3,525)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
State operating grants	-	-	-	-
Charges for services	2,325	2,325	775	(1,550)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,325</u>	<u>2,325</u>	<u>775</u>	<u>(1,550)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	2,325	2,325	-	2,325
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,325</u>	<u>2,325</u>	<u>-</u>	<u>2,325</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>775</u>	<u>775</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>	-	-	775	775
<i>Fund balance - beginning of year</i>	-	-	23,204	23,204
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,979</u>	<u>\$ 23,979</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 775	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 775</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

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, 2012

	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	34,168	34,168	34,120	(48)
Investment income	-	-	-	-
Miscellaneous	-	-	7	7
<i>Total revenues</i>	<u>34,168</u>	<u>34,168</u>	<u>34,127</u>	<u>(41)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	34,560	34,560	34,460	100
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>34,560</u>	<u>34,560</u>	<u>34,460</u>	<u>100</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(392)</u>	<u>(392)</u>	<u>(333)</u>	<u>59</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	392	392	-	(392)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>392</u>	<u>392</u>	<u>-</u>	<u>(392)</u>
<i>Net change in fund balance</i>	-	-	(333)	(333)
<i>Fund balance - beginning of year</i>	-	-	392	392
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59</u>	<u>\$ 59</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (333)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (333)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

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, 2012

	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	-	136,300	38,535	(97,765)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	136,300	38,535	(97,765)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	28,368	(28,368)
Capital outlay	-	136,300	86,855	49,445
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	136,300	115,223	21,077
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(76,688)	(76,688)
<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>	-	-	(76,688)	(76,688)
<i>Fund balance - beginning of year</i>	-	-	88,337	88,337
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 11,649	\$ 11,649
Net change in fund balance (non-GAAP budgetary basis)			\$ (76,688)	
Adjustments to revenues for state operating grant revenue accruals.			75,768	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ (920)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

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, 2012

	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	93,844	93,844	34,217	(59,627)
State capital grant	-	-	-	-
Investment income	-	10	21	11
Miscellaneous	-	-	6,615	6,615
<i>Total revenues</i>	<u>93,844</u>	<u>93,854</u>	<u>40,853</u>	<u>(53,001)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	26,450	26,450	34,278	(7,828)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	93,844	93,844	32,941	60,903
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>120,294</u>	<u>120,294</u>	<u>67,219</u>	<u>53,075</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(26,450)</u>	<u>(26,440)</u>	<u>(26,366)</u>	<u>74</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,450	1,440	-	(1,440)
Transfers in	25,000	25,000	35,000	10,000
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>26,450</u>	<u>26,440</u>	<u>35,000</u>	<u>8,560</u>
<i>Net change in fund balance</i>	-	-	8,634	8,634
<i>Fund balance - beginning of year</i>	-	-	2,342	2,342
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,976</u>	<u>\$ 10,976</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 8,634	
No adjustments to revenues.			-	
Adjustments to expenditures for professional services accruals.			(6,526)	
Net change in fund balance (GAAP)			<u>\$ 2,108</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

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, 2012

	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	-	-	-	-
State capital 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)	214,349	-	-	-
Transfers in	-	-	-	-
Transfers out	(214,349)	-	(213,000)	(213,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(213,000)</u>	<u>(213,000)</u>
<i>Net change in fund balance</i>	-	-	(213,000)	(213,000)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>214,349</u>	<u>214,349</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,349</u>	<u>\$ 1,349</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (213,000)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (213,000)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

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, 2012

	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	-	20,000	17,820	2,180
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>20,000</u>	<u>17,820</u>	<u>2,180</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(20,000)</u>	<u>(17,820)</u>	<u>2,180</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(3,125)	20,000	-	(20,000)
Transfers in	3,125	-	3,125	3,125
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>20,000</u>	<u>3,125</u>	<u>(16,875)</u>
<i>Net change in fund balance</i>	-	-	(14,695)	(14,695)
<i>Fund balance - beginning of year</i>	-	-	59,007	59,007
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,312</u>	<u>\$ 44,312</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (14,695)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (14,695)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

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, 2012

	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	-	-	25,000	25,000
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	32,200	32,200	25,561	6,639
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,200</u>	<u>32,200</u>	<u>25,561</u>	<u>6,639</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(32,200)</u>	<u>(32,200)</u>	<u>(561)</u>	<u>31,639</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	7,500	844	-	(844)
Transfers in	24,700	31,356	31,356	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>32,200</u>	<u>32,200</u>	<u>31,356</u>	<u>(844)</u>
<i>Net change in fund balance</i>	-	-	30,795	30,795
<i>Fund balance - beginning of year</i>	-	-	844	844
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,639</u>	<u>\$ 31,639</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 30,795	
No adjustments to revenues.			-	
Adjustments to expenditures for operating expenses accruals.			(100)	
Net change in fund balance (GAAP)			<u>\$ 30,695</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

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, 2012

	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	-	400,000	-	(400,000)
State operating grant	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public Works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	400,000	-	400,000
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>400,000</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)	-	(100,000)	-	100,000
Transfers in	-	100,000	-	(100,000)
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>	-	-	2,119	2,119
<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)			\$ -	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

City of Truth or Consequences

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	274,600	425,111	430,115	5,004
Intergovernmental				
State capital grants	-	-	153,355	153,355
Investment income	284	325	3,321	2,996
<i>Total revenues</i>	<u>274,884</u>	<u>425,436</u>	<u>586,791</u>	<u>161,355</u>
<i>Expenditures:</i>				
Current:				
General government	507	507	507	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	247,146	267,146	247,145	20,001
Interest	177,783	194,373	177,783	16,590
<i>Total expenditures</i>	<u>425,436</u>	<u>462,026</u>	<u>425,435</u>	<u>36,591</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(150,552)</u>	<u>(36,590)</u>	<u>161,356</u>	<u>197,946</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	150,552	36,590	-	(36,590)
Transfers in	-	-	36,590	36,590
Transfers out	-	-	(18,590)	(18,590)
<i>Total other financing sources (uses)</i>	<u>150,552</u>	<u>36,590</u>	<u>18,000</u>	<u>(18,590)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>179,356</u>	<u>179,356</u>
<i>Fund balance - beginning of year</i>	-	-	3,240,200	3,240,200
<i>Fund balance - reclassification</i>			(2,015,551)	(2,015,551)
<i>Fund balance - as reclassified</i>	<u>-</u>	<u>-</u>	<u>1,224,649</u>	<u>1,224,649</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,404,005</u>	<u>\$ 1,404,005</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 179,356	
Adjustments to revenues for gross receipts tax accruals.			81,102	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 260,458</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, 2012

Statement C-1

	Business-Type Activities		
	Golf Course Fund	Cemetery Fund	Total Non-Major Funds
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 12,171	\$ 16,457	\$ 28,628
Investments	-	-	-
Receivables			
Accounts	-	-	-
Inventory	-	-	-
<i>Total current assets</i>	12,171	16,457	28,628
<i>Noncurrent assets</i>			
Capital assets	1,131,379	140,082	1,271,461
Accumulated depreciation	(465,508)	(9,092)	(474,600)
<i>Total noncurrent assets</i>	665,871	130,990	796,861
<i>Total assets</i>	\$ 678,042	\$ 147,447	\$ 825,489
<i>Liabilities and Net Assets</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 1,516	\$ 265	\$ 1,781
Accrued payroll expenses	-	-	-
Accrued interest	-	-	-
Current maturity of loans, notes and capital leases payable	-	-	-
<i>Total current liabilities</i>	1,516	265	1,781
<i>Noncurrent liabilities</i>			
Accrued compensated absences	-	-	-
Loans, notes and capital leases payable	-	-	-
<i>Total noncurrent liabilities</i>	-	-	-
<i>Total liabilities</i>	1,516	265	1,781
<i>Net assets</i>			
Invested in capital assets, net of related debt	665,871	130,990	796,861
Unrestricted	10,655	16,192	26,847
<i>Total net assets</i>	676,526	147,182	823,708
<i>Total liabilities and net assets</i>	\$ 678,042	\$ 147,447	\$ 825,489

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, 2012

Statement C-2

	Business-Type Activities		
	Golf Course Fund	Cemetery Fund	Total Non-Major Funds
<i>Operating revenues</i>			
Charges for services	\$ 11,188	\$ 9,490	\$ 20,678
<i>Total operating revenues</i>	11,188	9,490	20,678
<i>Operating expenses</i>			
General operating	46,879	11,837	58,716
Depreciation	22,751	3,855	26,606
<i>Total operating expenses</i>	69,630	15,692	85,322
<i>Operating income (loss)</i>	(58,442)	(6,202)	(64,644)
<i>Non-operating revenues (expenses)</i>			
Investment income	10	-	10
<i>Total non-operating revenues (expenses)</i>	10	-	10
<i>Income (loss) before contributions and transfers</i>	(58,432)	(6,202)	(64,634)
Government contributions	-	-	-
Transfers in	40,700	-	40,700
Transfers out	-	-	-
<i>Change in net assets</i>	(17,732)	(6,202)	(23,934)
<i>Total net assets, beginning of year</i>	694,258	153,384	847,642
<i>Total net assets, end of year</i>	\$ 676,526	\$ 147,182	\$ 823,708

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, 2012

Statement C-3

	Business-Type Activities		Total Non-Major Funds
	Golf Course Fund	Cemetery Fund	
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 11,188	\$ 9,490	\$ 20,678
Cash payments to employees for services	-	-	-
Cash payments to suppliers for goods and services	(45,363)	(11,572)	(56,935)
<i>Net cash provided (used) by operating activities</i>	(34,175)	(2,082)	(36,257)
<i>Cash flows from noncapital financing activities</i>			
Government contributions	-	-	-
Miscellaneous income	-	-	-
Transfers	40,700	-	40,700
<i>Net cash provided (used) by noncapital financing activities</i>	40,700	-	40,700
<i>Cash flows from investing activities</i>			
Acquisition of capital assets	-	(22,428)	(22,428)
Interest on investments	10	-	10
<i>Net cash provided by investing activities</i>	10	(22,428)	(22,418)
<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>	-	-	-
<i>Net increase in cash and cash equivalents</i>	6,535	(24,510)	(17,975)
<i>Cash and cash equivalents - beginning of year</i>	5,636	40,967	46,603
<i>Cash and cash equivalents - end of year</i>	\$ 12,171	\$ 16,457	\$ 28,628
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (58,442)	\$ (6,202)	(64,644)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	22,751	3,855	26,606
Changes in assets and liabilities			
Receivables	-	-	-
Inventory	-	-	-
Accounts payable	1,516	265	1,781
Accrued payroll expenses	-	-	-
Accrued compensated absences	-	-	-
Meter deposits	-	-	-
<i>Net cash provided (used) by operating activities</i>	\$ (34,175)	\$ (2,082)	\$ (36,257)

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, 2012

Statement D-1

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 9,861,942	\$ 9,914,650	\$ 10,087,535	\$ 172,885
<i>Total operating revenues</i>	<u>9,861,942</u>	<u>9,914,650</u>	<u>10,087,535</u>	<u>172,885</u>
<i>Operating expenses:</i>				
General operating	5,952,512	6,205,269	5,565,435	639,834
Personnel services	1,606,312	1,704,179	1,561,297	142,882
<i>Total operating expenses</i>	<u>7,558,824</u>	<u>7,909,448</u>	<u>7,126,732</u>	<u>782,716</u>
<i>Operating income (loss)</i>	<u>2,303,118</u>	<u>2,005,202</u>	<u>2,960,803</u>	<u>955,601</u>
<i>Non-operating revenues (expenses):</i>				
Proceeds from bonds	-	-	1,516,000	1,516,000
Interest expense	(153,453)	(153,453)	(169,772)	(16,319)
Interest income	1,930	3,017	22,638	19,621
Miscellaneous income	53,211	69,496	81,994	12,498
<i>Total non-operating revenues (expenses)</i>	<u>(98,312)</u>	<u>(80,940)</u>	<u>1,450,860</u>	<u>1,531,800</u>
Government contributions	60,200	150,200	150,263	63
Transfers	842,820	952,286	(1,803,825)	(2,756,111)
<i>Change in net assets</i>	<u>(3,107,826)</u>	<u>(3,026,748)</u>	<u>2,758,101</u>	<u>(268,647)</u>
Designated cash	3,107,826	3,026,748	-	(3,026,748)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>4,462,748</u>	<u>4,462,748</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,220,849</u>	<u>\$ 7,220,849</u>
Change in net assets (non-GAAP budgetary basis)			\$ 2,758,101	
Adjustments to revenues for charges for services accruals.			(564,037)	
Adjustments to expenditures for salaries and general operating expense accruals.			(593,368)	
Depreciation			<u>248,353</u>	
Change in net assets (GAAP)			<u>\$ 1,849,049</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, 2012

Statement D-2

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 186,100	\$ 199,600	243,687	\$ 44,087
<i>Total operating revenues</i>	<u>186,100</u>	<u>199,600</u>	<u>243,687</u>	<u>44,087</u>
<i>Operating expenses:</i>				
General operating	216,136	276,086	226,451	49,635
Personnel services	97,775	99,938	88,318	11,620
<i>Total operating expenses</i>	<u>313,911</u>	<u>376,024</u>	<u>314,769</u>	<u>61,255</u>
<i>Operating income (loss)</i>	<u>(127,811)</u>	<u>(176,424)</u>	<u>(71,082)</u>	<u>105,342</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Interest income	-	-	21	21
Gross receipts taxes	-	-	9,122	9,122
Miscellaneous income	-	-	24,212	24,212
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>33,355</u>	<u>33,355</u>
Transfers	98,461	105,195	78,000	(27,195)
<i>Change in net assets</i>	29,350	71,229	40,273	111,502
Designated cash	(29,350)	(71,229)	-	(71,229)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>79,414</u>	<u>79,414</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,687</u>	<u>\$ 119,687</u>
Change in net assets (non-GAAP budgetary basis)			\$ 40,273	
Adjustments to revenues for charges for services accruals.			(41,004)	
Adjustments to expenditures for general operating expense accruals.			(179,305)	
Depreciation			82,193	
Change in net assets (GAAP)			<u>\$ (97,843)</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, 2012

Statement D-3

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 73,600	\$ 80,500	\$ 87,682	\$ 7,182
<i>Total operating revenues</i>	<u>73,600</u>	<u>80,500</u>	<u>87,682</u>	<u>7,182</u>
<i>Operating expenses:</i>				
General operating	71,151	80,900	72,428	8,472
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>71,151</u>	<u>80,900</u>	<u>72,428</u>	<u>8,472</u>
<i>Operating income (loss)</i>	<u>2,449</u>	<u>(400)</u>	<u>15,254</u>	<u>15,654</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	(9,749)	(9,749)	(9,577)	172
Interest income	-	22	2,730	2,708
Gross receipts taxes	-	34,424	35,500	1,076
Miscellaneous income	-	2,000	-	(2,000)
<i>Total non-operating revenues (expenses)</i>	<u>(9,749)</u>	<u>26,697</u>	<u>28,653</u>	<u>1,956</u>
Transfers	-	30,000	150,000	120,000
<i>Change in net assets</i>	7,300	(56,297)	193,907	137,610
Designated cash	(7,300)	56,297	-	(56,297)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>424,513</u>	<u>424,513</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 618,420</u>	<u>\$ 618,420</u>
Change in net assets (non-GAAP budgetary basis)			\$ 193,907	
Adjustments to revenues for charges for services accruals.			12,915	
Adjustments to expenditures for general operating expenses.			(373,402)	
Depreciation			<u>102,264</u>	
Change in net assets (GAAP)			<u>\$ (64,316)</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, 2012

Statement D-4

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	11,130	12,030	11,188	(842)
<i>Total operating revenues</i>	<u>11,130</u>	<u>12,030</u>	<u>11,188</u>	<u>(842)</u>
<i>Operating expenses:</i>				
General operating	67,175	68,975	45,363	23,612
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>67,175</u>	<u>68,975</u>	<u>45,363</u>	<u>23,612</u>
<i>Operating income (loss)</i>	<u>(56,045)</u>	<u>(56,945)</u>	<u>(34,175)</u>	<u>22,770</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	-	-	10	10
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Transfers	56,045	60,700	40,700	(20,000)
<i>Change in net assets</i>	<u>-</u>	<u>(3,755)</u>	<u>6,535</u>	<u>2,780</u>
Designated cash	-	3,755	-	3,755
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,636</u>	<u>5,636</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,171</u>	<u>\$ 12,171</u>
Change in net assets (non-GAAP budgetary basis)			\$ 6,535	
No adjustments to revenues.			-	
Adjustments to expenditures for general operating expense accruals.			(47,018)	
Depreciation			<u>22,751</u>	
Change in net assets (GAAP)			<u>\$ (17,732)</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, 2012

Statement D-5

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 16,600	\$ 16,600	\$ 9,490	\$ (7,110)
<i>Total operating revenues</i>	<u>16,600</u>	<u>16,600</u>	<u>9,490</u>	<u>(7,110)</u>
<i>Operating expenses:</i>				
General operating	37,000	37,000	34,000	3,000
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>37,000</u>	<u>37,000</u>	<u>34,000</u>	<u>3,000</u>
<i>Operating income (loss)</i>	<u>(20,400)</u>	<u>(20,400)</u>	<u>(24,510)</u>	<u>(4,110)</u>
<i>Non-operating revenues (expenses):</i>				
Proceeds from bonds	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers	-	-	-	-
<i>Change in net assets</i>	20,400	20,400	(24,510)	(4,110)
Designated cash	(20,400)	(20,400)	-	(20,400)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>40,967</u>	<u>40,967</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,457</u>	<u>\$ 16,457</u>
Change in net assets (non-GAAP budgetary basis)			\$ (24,510)	
No adjustments to revenues.			-	
Adjustments to expenditures for general operating expenses accruals.			14,453	
Depreciation			<u>3,855</u>	
Change in net assets (GAAP)			<u>\$ (6,202)</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, 2012

Schedule I
Page 1 of 2

Bank Name/ Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Totals
Bank of the Southwest					
General Fund	Checking	\$ 769,120	\$ 591	\$ 100	\$ 769,611
PD Bond Account	Checking	1,000	-	-	1,000
Pledge State Tax	Checking	186,598	-	-	186,598
State Fire Fund	Checking	99,944	-	-	99,944
Municipal Recreation	Checking	20,126	176	50	20,252
Court Cost	Checking	4,800	-	-	4,800
Law Enforcement	Checking	8,953	-	-	8,953
Police Department Donation	Checking	12,413	-	-	12,413
PD Confidential Fund	Checking	427	-	-	427
Federal Grant Trust	Checking	18,800	-	-	18,800
Lodgers Tax	Checking	95,944	344	-	96,288
Special Appropriations Effluent Water	Checking	282,505	-	-	282,505
Joint Utility Income	Checking	2,804,573	41,872	969	2,845,476
Solid Waste Disposal	Checking	51,132	75	-	51,207
Golf Course	Checking	12,171	-	-	12,171
Airport Hanger	Checking	49,581	2,170	-	51,751
Street Renovation	Checking	39,296	-	-	39,296
Electrical Construction	Checking	129,990	-	-	129,990
Veteran's Wall	Checking	31,639	-	-	31,639
DWI HB108	Checking	22,492	-	-	22,492
DWI Fund	Checking	10,832	-	-	10,832
DWI-UA Screening Program	Checking	7,233	150	-	7,383
Senior Transportation	Checking	11,649	-	-	11,649
Veteran's Wall Perpetual Care	Checking	23,979	-	-	23,979
C I General	Checking	10,976	-	-	10,976
C I Joint Utility	Checking	999,561	-	-	999,561
Morgan Street Dam Project	Checking	1,349	-	-	1,349
Internal Services	Checking	78,269	825	-	79,094
JT Utility Emergency Repair Fund	Checking	44,312	-	-	44,312
FAA Project/Mun Airport	Checking	67,636	-	-	67,636
R & R Water Fund	Checking	12,674	-	-	12,674
CDBG Comprehensive	Checking	2,119	-	-	2,119
Capital Improvement Reserves	Checking	700,197	-	-	700,197
Emergency Repair Reserves	Checking	47,281	-	-	47,281
Wastewater Repair Reserves	Checking	54,370	-	-	54,370
Electrical Construction Reserves	Checking	40,335	-	-	40,335
Federal Seizure Share	Checking	59	-	-	59
Payroll Revolving Fund	Checking	413,559	-	407,291	6,268
Total Bank of the Southwest		<u>7,167,894</u>	<u>46,203</u>	<u>408,410</u>	<u>6,805,687</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Deposit and Investment Accounts
June 30, 2012

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	\$ 16,457	\$ -	\$ -	\$ 16,457		
Library Fund	Checking	10,761	-	-	10,761		
Required Reserved 1995 Bond	Checking	55,077	-	-	55,077		
Bond Fund 1995	Checking	56,446	-	-	56,446		
Required Reserve 1996 Bond	Checking	37,051	-	-	37,051		
Bond Fund 1996	Checking	36,926	-	-	36,926		
Bond Pmt Reserve 1998	Checking	17,410	-	-	17,410		
Required Reserve 1998	Checking	15,676	-	-	15,676		
Pledged State	Certificate of Deposit	530,529	-	-	530,529		
Solid Waste	Certificate of Deposit	567,213	-	-	567,213		
R & R Sewer	Checking	191,882	-	-	191,882		
R & R Water	Certificate of Deposit	175,357	-	-	175,357		
Emergency Repair Reserves	Checking	80,201	-	-	80,201		
Waste Water Reserve	Checking	100,409	-	-	100,409		
Electrical Construction Reserve	Checking	81,359	-	-	81,359		
Capital Improvement Reserve	Checking	1,004,066	-	-	1,004,066		
Total Compass Bank		<u>2,976,820</u>	<u>-</u>	<u>-</u>	<u>2,976,820</u>		
Bank of New York Mellon							
NMFA Police Building	U.S. Treasury Mutual Fund	*	15,218	-	-	15,218	
1996 Refunding GRT and Improvement	Bond	U.S. Treasury Mutual Fund	*	921,891	-	-	921,891
NMFA Upgrade Low Voltage Feeder	Line	U.S. Treasury Mutual Fund	*	126,250	-	-	126,250
NMFA Street Improvements		U.S. Treasury Mutual Fund	*	1,194,548	-	-	1,194,548
NMFA Street Improvements		U.S. Treasury Mutual Fund	*	151,301	-	-	151,301
NMFA Joint Utility Capital Improvement	U.S. Treasury Mutual Fund	*	256,000	-	-	256,000	
Total Bank of New York Mellon			<u>2,665,208</u>	<u>-</u>	<u>-</u>	<u>2,665,208</u>	
New Mexico Finance Authority							
NMFA Police Building	State Treasurer Debt Service	*	5,975	-	-	5,975	
NMFA Fire Equipment	State Treasurer Debt Service	*	4	-	-	4	
1996 Refunding GRT and Improvement	Bond	State Treasurer Debt Service	*	44,652	-	-	44,652
NMFA Storage Tanks	State Treasurer Debt Service	*	28,531	-	-	28,531	
NMFA Upgrade Low Voltage Feeder	Line	State Treasurer Debt Service	*	44,666	-	-	44,666
NMFA Street Improvements	State Treasurer Debt Service	*	25,383	-	-	25,383	
Total New Mexico Finance Authority			<u>149,211</u>	<u>-</u>	<u>-</u>	<u>149,211</u>	
Total			<u>\$ 12,959,133</u>	<u>\$ 46,203</u>	<u>\$ 408,410</u>	<u>\$ 12,596,926</u>	
Add: Petty cash						1,111	
Less: Restricted cash and cash equivalents per Exhibit A-1						(2,326,804)	
Less: Investments per Exhibit A-1						(1,464,981)	
Less: Restricted Investments per Exhibit A-1						(2,814,419)	
Total unrestricted cash and cash equivalents per Exhibit A-1						<u>\$ 5,991,833</u>	

* 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, 2012

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2012	Location of Safekeeper
Bank of the Southwest					
	Letter of Credit	4/1/2013		\$ 600,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	6/5/2013		1,000,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	12/31/2012		400,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	6/7/2013		300,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	9/19/2012		1,150,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	11/30/2012		250,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	1/7/2013		<u>2,800,000</u>	Federal Home Loan Bank, Dallas TX
	Total Bank of the Southwest			<u>6,500,000</u>	
Compass Bank					
	FHLMC 3762 AV	10/15/2023	3137A3NJ4	9,958	Federal Home Loan Bank, Irving TX
	GNR	10/19/2023	38377NVC5	31,551	Federal Home Loan Bank, Irving TX
	FHLMC 2851 DY	8/15/2024	31395EHY6	55,072	Federal Home Loan Bank, Irving TX
	FNMA	1/25/2025	31398GLY3	117,367	Federal Home Loan Bank, Irving TX
	FNR	7/25/2025	31394EGP7	21,972	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2025	31371MF93	12,302	Federal Home Loan Bank, Irving TX
	FHR	2/15/2027	31398VQB5	27,660	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	174,261	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	109,717	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	13,166	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	20,799	Federal Home Loan Bank, Irving TX
	GNMA	5/15/2029	36213M5Q7	64,487	Federal Home Loan Bank, Irving TX
	FHLMC	12/1/2029	3128M5X54	58,311	Federal Home Loan Bank, Irving TX
	FHR	9/15/2031	31394XQR0	10,531	Federal Home Loan Bank, Irving TX
	FNMA	11/1/2031	31388YET5	133,327	Federal Home Loan Bank, Irving TX
	FNMA	11/1/2031	31388YET5	5,333	Federal Home Loan Bank, Irving TX
	FNMA	3/1/2033	31400SFX2	387,798	Federal Home Loan Bank, Irving TX
	FNMA	3/1/2033	31400SFX2	45,243	Federal Home Loan Bank, Irving TX
	FHLMC	10/1/2033	31349SC92	127,950	Federal Home Loan Bank, Irving TX
	FHLMC	6/1/2035	3128M5TT7	30,848	Federal Home Loan Bank, Irving TX
	FHLMC	9/15/2035	31396ACK8	51,679	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2035	31403CZ79	67,654	Federal Home Loan Bank, Irving TX
	FHLMC	12/1/2035	31300LJA4	19,551	Federal Home Loan Bank, Irving TX
	FNMA	7/1/2036	31410DWD8	405,448	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2036	31407RLD4	204,405	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2036	31407RLD4	42,159	Federal Home Loan Bank, Irving TX
	FNR	9/25/2036	31396KM33	13,134	Federal Home Loan Bank, Irving TX
	FNR	9/25/2036	31396KM33	49,252	Federal Home Loan Bank, Irving TX
	FNR	9/25/2036	31396KM33	65,670	Federal Home Loan Bank, Irving TX
	FNMA	3/1/2037	3138EG5Y6	52,947	Federal Home Loan Bank, Irving TX
	FHLMC	1/15/2038	31398VRQ1	3,777	Federal Home Loan Bank, Irving TX
	GNR	7/20/2040	38377TMQ1	19,643	Federal Home Loan Bank, Irving TX
	GNR	7/20/2040	38377TMQ1	44,197	Federal Home Loan Bank, Irving TX
	GNR	7/20/2040	38377TMQ1	12,277	Federal Home Loan Bank, Irving TX
	GNMA	12/15/2046	36200KGJ0	116,679	Federal Home Loan Bank, Irving TX
	GNMA	12/15/2046	36200KGJ0	<u>31,822</u>	Federal Home Loan Bank, Irving TX
	Total Compass Bank			<u>2,657,947</u>	
	Total Pledged Collateral			<u>\$ 9,157,947</u>	

See 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
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 comparisons for the general fund and major special revenue funds, 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 29, 2012. 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 respective 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, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the component unit of the City, as described in our report on the City's financial statements. We did not test internal controls, compliance or other matters of the component unit of the City.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 responses as items FS 2010-01, FS 2011-01, and FS 2012-01 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 deficiencies described in the accompanying schedule of findings and responses as items FS 2009-02 and FS 2012-03 to be significant deficiencies.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item FS 2012-04.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings FS 2009-01, FS 2012-02, FS 2012-05 and 2012-1.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 29, 2012

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Findings and Responses
For the Year Ended June 30, 2012

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 to be material weaknesses? | Yes |
| c. | Noncompliance material to the financial statements noted? | Yes |

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

FS 2007-03	Accounting Activity	Resolved
FS 2009-01	Public Money Deposits	Repeated
FS 2009-02	Capital Assets- Inventory Control Numbers	Repeated
FS 2010-01	Financial Statements and Disclosures	Repeated and Modified
FS 2010-02	Pre-Tax Deductions	Resolved
FS 2010-03	Employee vs. Independent Contractor	Resolved
FS 2011-01	Design and Deficiencies in Internal Control over Financial Reporting	Repeated and Modified

Federal Award Findings

FA 2011-01	Excluded Parties	Resolved
FA 2011-02	Quality Assurance	Resolved

Section III – Findings - Financial Statement Audit

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.

Auditors' 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 Auditing Standards Board Statement on Auditing Standards (SAS) No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

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 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 utility customer accounts are not approved and documented by the appropriate level of management or another appropriate person.
- The payroll system master file change log is not reviewed by 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. In addition, a formal corrective action plan should be established and implemented to resolve existing audit findings.

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 (Material Weakness) (continued)

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.

FS 2012-01 – Utility Receivables – (Material Weakness)

Condition: During our testwork of utility receivables and the related allowance for doubtful accounts, it was noted that the City is not reconciling the receivable aging listing to the general ledger or maintaining a listing of all accounts that are deemed uncollectible.

Criteria: Per Section 6.20.2.13 of NMAC, all Cities' shall establish and maintain an accurate general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the department's uniform chart of accounts and shall be reconciled every fiscal year with department records. The general ledger must tie with the accounting documentation including the utility aging reports and other ledgers. City's shall use funds and account groups to report their financial position and operating results accurately. In accordance with GASB 34, City's shall use a full accrual basis of accounting in preparation of annual financial statements.

Effect: Without reconciling outstanding accounts the City cannot perform required procedures such as utility shut off, liens on property that is noted in City ordinances for delinquent accounts.

Cause: The City does not print required reports at June 30, 2012 for the year end close out in the utility department.

Auditors' Recommendations: We recommend the City receive training in order to be able to produce a complete and accurate general ledger.

Agency's Response: The City agrees with finding and will getting training on the accounting system on utility reporting and year end reconciling. Also, the City will be entering into an agreement with a collection agency to collect outstanding debt.

FS 2012-02 – Budget Adjustments – (Other Matter)

Condition: During our testwork of budget adjustments it was noted that the City is entering budget adjustment journal entries after approval from the City Commission but before Department of Finance and Administration approves the adjustment.

Criteria: Per Section 2.2.3.2 NMAC, all local public bodies are required to obtain budget approval from the local government division.

Effect: Posting entries prior to oversight approval leads to an inaccurate budget. If adjustments do not get approved, the City will be approving items that they do not have enough approved budget.

Cause: The City posts entries after City Commission approves.

Auditors' Recommendations: We recommend the City posts budget adjustments to any revenue or expense after approval from Department of Finance and Administration.

Agency's Response: The City agrees with this finding and will wait for DFA approval before budget adjustments are processed.

FS 2012-03 Capital Asset Accounting System and Dispositions (Significant Deficiency)

Condition: The capital asset inventory system was not being reconciled with the City's general ledger. Ending capital assets balances were not being reconciled with the capital outlay expenditures as recorded in the budget reports as additions and deletions were occurring. In addition the City disposed of four vehicles and did not notify the State Auditor 30 days prior to disposition.

Criteria: Section 2.20.1 of NMAC requires agencies to properly account for capital assets. The required capital asset accounting system is described in Section 2.20.1.8 of NMAC. Proper controls over the capital assets are described in Section 2.20.1.15 of NMAC. The statutory annual inventory requirement is described in Section 2.20.1.16 of NMAC. The requirement to follow the applicable statutes when disposing of capital assets is described in Section 2.20.1.18 of NMAC. In addition, per State Audit Rule Section 2.2.2.10 V Disposition of Property Sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. At least 30 days prior to any disposition of property on agency inventory list described in Subsection Y of 2.2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member if the authority approving the action must be sent to the State Auditor.

Effect: The lack of proper implementation of controls over capital assets may result in the financial statements being misstated.

Cause: The City did not have internal controls in place to review the asset detail listing to ensure that it reconciled to the general ledger and dispositions were being properly approved.

Auditors' Recommendations: The City should implement an internal controls system to manage and monitor the City's capital asset listing.

Agency's Response: The City agrees with this finding. The City is in the process of implementing a Fixed Asset program to the existing accounting system to maintain all capital assets which will assure the proper controls over capital assets. The City will assure that all disposals of any City property will have State Auditor approval as well as DFA.

FS 2012-04 – Improper Gross Receipts Tax Distribution – (Noncompliance)

Condition: During our audit it was noted that the City did not properly allocate a portion of gross receipts tax received from the State of New Mexico to the City's police department.

Criteria: According to City Ordinance #606- the City adopted a Municipal Gross Receipts Tax in the amount of ¼ of 1 % (0.25%), and stated the tax will be used for public safety.

Effect: The City's police department was unable to access its share of the gross receipts tax distribution as of June 30, 2012.

Cause: The City was unable to implement the appropriate process and internal controls to account for the police department's share of the gross receipts tax distribution by the end of the fiscal year.

Auditors' Recommendations: We recommend that the City revisit the ordinance stated above, implement the City's plan to account for this distribution and ensure that the police department is allocated and distributed the appropriate amount of gross receipts tax.

Agency's Response: The City has taken initial steps to remedy the matter and will take necessary action to ensure all funds are properly distributed.

FS 2012-05 – Audit Information Release (Other Matter)

Condition: The City released information to a local newspaper related to the fiscal year 2012 financial statement audit prior to the approval from the Office of the State Auditor.

Criteria: Per Section 12-6-5 NMSA 1978, the audit report does not become public record until five days after the date of release letter, unless the City has already submitted a written waiver to the Office. This includes any information pertaining to the audit or information that may be used to compile the information that is included within the audit report.

Effect: Information that has not yet been released by the Office of the State Auditor can be used and therefore, information may not be complete or accurate thus misleading the public.

Cause: An inspection of public records request was placed by “the Herald” and part of the request was correspondence between the City and the auditors about information pertaining to the fiscal year end 2012 audit. The City fulfilled the request to the newspaper and an article was written with the correspondence included.

Auditors’ Recommendation: We recommend that the City follow all state statutes in regards to release of information for the audit periods that have not yet been released by the Office of the State Auditor.

Agency’s Response: The City will comply with 12-6-5 NMSA in all future audits.

Section IV– Findings – Component Unit

2012-1 W-2 Preparation (Other Matter)

Condition: The Authority has reported the employee’s Public Employees Retirement act (PERA) contributions as taxable wages for federal income tax purposes.

Criteria: Contributions to PERA are not considered taxable wages under the Internal Revenue Code.

Effect: Employees have reported as taxable their PERA contributions, thereby overstating their taxable income and consequently, their income tax liability.

Cause: The payroll program used to prepare the W-2’s did not correctly deduct the PERA contributions from federal taxable income, and the error was not detected by Authority personnel.

Auditors’ Recommendations: We recommend that the Authority personnel review W-2 preparation, and insure that the federal taxable income is properly reported.

Agency’s Response: We have reviewed our payroll program settings, and will review the year end W-2’s for proper reporting prior to issuance.

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STATE OF NEW MEXICO
City of Truth or Consequences
Other Disclosures
June 30, 2012

Exit Conference

An exit conference was held on November 29, 2012. In attendance were the following:

Representing the City of Truth or Consequences:

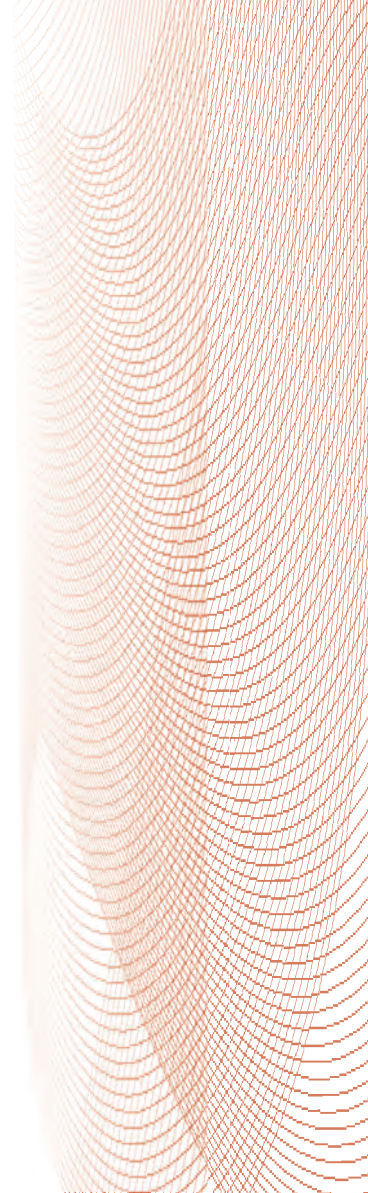
Linda Lanham	Finance Director
John Mulcahy	Mayor
Juan Fuentes	City Manager
Kerin Salcedo	Accounting Assistant

Representing Accounting & Consulting Group, LLP:

Robert Cordova, CPA	Manager
Lorie Lawlis	In-Charge

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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