

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013



STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

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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, 2013

<u>Name</u>	<u>City Commission</u>	<u>Title</u>
John Mulcahy		Mayor
Sandra Whitehead		City Commissioner/Mayor Pro Tem
Steven Green		City Commissioner
Jeff Richter		City Commissioner
Mike Kertesz		City Commissioner

Administration

Juan Fuentes	City Manager
Linda Lanham	Finance Director
Mary Penner	City Clerk
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
Steven Rice	Acting Executive Director
Mario Portillo	Finance Director

FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The United States Office of Management and Budget and
To the Truth or Consequences City Commission Members
City of Truth or Consequences
Truth or Consequences, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue fund of the City of Truth or Consequences (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, 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, nonmajor proprietary funds, the budgetary comparisons for the proprietary funds, the internal service fund, the major debt service fund, and all nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Truth or Consequences Housing Authority, which represents 10.5 percent, 11.4 percent, and 9.3 percent, respectively, of the assets, net position, and revenues of the City of Truth or Consequences. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Truth or Consequences Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Truth or Consequences, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance 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 aspects, the respective financial position of each nonmajor governmental fund as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows, thereof the year then ended in accordance 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.

Other Matters

Required Supplementary Information

Management has omitted the *Management Discussion and Analysis* that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations* and Supporting Schedules I through II required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and Supporting Schedules I through II required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through II required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, 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* in considering the City's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 25, 2013

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,999,232	\$ 4,863,319	\$ 6,862,551	\$ 757,494
Investments	532,176	1,543,460	2,075,636	-
Receivables:				
Property taxes	32,306	-	32,306	-
Other taxes	697,039	-	697,039	-
Utility receivables, net	-	1,185,521	1,185,521	-
Due from other governments	108,771	16,477	125,248	168,298
Prepaid expenses	-	-	-	25,766
Inventory	98,796	1,986,107	2,084,903	3,655
Total Current Assets	<u>3,468,320</u>	<u>9,594,884</u>	<u>13,063,204</u>	<u>955,213</u>
Noncurrent Assets				
Restricted cash and cash equivalents	1,687,774	1,036,285	2,724,059	221,412
Bond issuance costs (net of accumulated amortization of \$46,386 and \$4,687)	51,136	58,410	109,546	-
Capital assets	19,821,508	21,123,966	40,945,474	8,331,126
Less: accumulated depreciation	<u>(9,883,052)</u>	<u>(11,075,547)</u>	<u>(20,958,599)</u>	<u>(5,293,156)</u>
Total Noncurrent Assets	<u>11,677,366</u>	<u>11,143,114</u>	<u>22,820,480</u>	<u>3,259,382</u>
Total Assets	<u>\$ 15,145,686</u>	<u>\$ 20,737,998</u>	<u>\$ 35,883,684</u>	<u>\$ 4,214,595</u>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current Liabilities				
Accounts payable	\$ 140,283	\$ 459,587	\$ 599,870	\$ 17,706
Accrued payroll	319,683	62,757	382,440	22,508
Customer deposits	-	149,213	149,213	-
Accrued interest	16,717	21,966	38,683	-
Tenant deposits	-	-	-	36,413
FSS deposits	-	-	-	52,557
Compensated absences	219,634	155,006	374,640	-
Current portion of long-term debt	253,117	380,072	633,189	34,223
Total Current Liabilities	949,434	1,228,601	2,178,035	163,407
Noncurrent Liabilities				
Accrued compensated absences	121,470	79,553	201,023	35,303
Accrued landfill closure costs	-	674,212	674,212	-
Bonds payable	-	1,100,000	1,100,000	-
Leases and notes payable	4,384,960	3,755,162	8,140,122	957,049
Total Noncurrent Liabilities	4,506,430	5,608,927	10,115,357	992,352
Total Liabilities	5,455,864	6,837,528	12,293,392	1,155,759
Net Position				
Net investment in capital assets	5,300,379	4,813,185	10,113,564	2,046,698
Restricted for:				
Debt service	1,709,681	1,036,285	2,745,966	-
Capital projects	528,989	-	528,989	-
Special revenue	1,684,594	-	1,684,594	-
Housing assistance payments	-	-	-	3,213
Repair and replacement	-	-	-	118,065
Taxes and insurance payments	-	-	-	207
Tenant use	-	-	-	3,479
Unrestricted	466,179	8,051,000	8,517,179	887,174
Total Net Position	9,689,822	13,900,470	23,590,292	3,058,836
Total Liabilities and Net Position	\$ 15,145,686	\$ 20,737,998	\$ 35,883,684	\$ 4,214,595

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Activities
For the Year Ended June 30, 2013

<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	\$ 2,113,352	\$ 86,481	\$ 293,072	\$ 1,338
Public safety	1,681,088	19,104	133,598	-
Public works	2,158,515	-	55,140	289,050
Culture and recreation	659,336	51,004	78,102	276,163
Health and welfare	243,417	2,300	-	-
Interest on long-term debt	173,807	-	-	-
<i>Total governmental activities</i>	<u>7,029,515</u>	<u>158,889</u>	<u>559,912</u>	<u>566,551</u>
Business-type Activities:				
Joint Utility	6,821,295	9,844,359	-	1,425,557
Solid Waste	150,034	92,470	-	-
Airport	529,417	238,571	-	387,844
Cemetery	15,118	15,555	-	-
Golf Course	80,485	12,681	-	-
<i>Total business-type activities</i>	<u>7,596,349</u>	<u>10,203,636</u>	<u>-</u>	<u>1,813,401</u>
<i>Total primary government</i>	<u>\$ 14,625,864</u>	<u>\$ 10,362,525</u>	<u>\$ 559,912</u>	<u>\$ 2,379,952</u>
Component Unit:				
Housing Authority	<u>\$ 2,091,665</u>	<u>\$ 456,952</u>	<u>\$ 1,300,663</u>	<u>\$ -</u>
General Revenues and Transfers:				
Taxes				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Other taxes				
Investment income				
Miscellaneous revenue				
Gain (loss) on disposition of assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,732,461)	\$ -	\$ (1,732,461)	\$ -
(1,528,386)	-	(1,528,386)	-
(1,814,325)	-	(1,814,325)	-
(254,067)	-	(254,067)	-
(241,117)	-	(241,117)	-
(173,807)	-	(173,807)	-
<u>(5,744,163)</u>	<u>-</u>	<u>(5,744,163)</u>	<u>-</u>
-	4,448,621	4,448,621	-
-	(57,564)	(57,564)	-
-	96,998	96,998	-
-	437	437	-
-	(67,804)	(67,804)	-
<u>-</u>	<u>4,420,688</u>	<u>4,420,688</u>	<u>-</u>
<u>(5,744,163)</u>	<u>4,420,688</u>	<u>(1,323,475)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(334,050)</u>
166,694	-	166,694	-
3,120,771	8,512	3,129,283	-
103,266	-	103,266	-
281,479	-	281,479	-
2,483	17,531	20,014	-
46,674	4,604	51,278	1,587
(9,361)	(13,878)	(23,239)	-
<u>1,772,654</u>	<u>(1,772,654)</u>	<u>-</u>	<u>-</u>
<u>5,484,660</u>	<u>(1,755,885)</u>	<u>3,728,775</u>	<u>1,587</u>
(259,503)	2,664,803	2,405,300	(332,463)
<u>9,949,325</u>	<u>11,235,667</u>	<u>21,184,992</u>	<u>3,391,299</u>
<u>\$ 9,689,822</u>	<u>\$ 13,900,470</u>	<u>\$ 23,590,292</u>	<u>\$ 3,058,836</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Balance Sheet
Governmental Funds
June 30, 2013

Exhibit B-1
Page 1 of 2

	General Fund	Municipal Streets Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<i>Assets</i>					
Cash and cash equivalents	\$ 962,575	\$ 146,186	\$ 145,726	\$ 681,429	\$ 1,935,916
Restricted cash and cash equivalents	21,257	493,012	688,216	485,289	1,687,774
Investments	-	-	532,176	-	532,176
Receivables:					
Property taxes	32,306	-	-	-	32,306
Other taxes	378,838	24,193	69,432	224,576	697,039
Due from other governments	75,184	-	-	33,587	108,771
Inventory	63,071	-	-	-	63,071
<i>Total assets</i>	\$ 1,533,231	\$ 663,391	\$ 1,435,550	\$ 1,424,881	\$ 5,057,053
<i>Liabilities</i>					
Accounts payable	\$ 69,336	\$ -	\$ -	\$ 70,947	\$ 140,283
Accrued payroll	319,683	-	-	-	319,683
Unearned revenue	26,279	-	-	-	26,279
<i>Total liabilities</i>	415,298	-	-	70,947	486,245
<i>Fund balances</i>					
Nonspendable					
Inventory	63,071	-	-	-	63,071
Spendable					
Restricted for:					
Public safety	-	-	-	54,832	54,832
Culture and recreation	-	-	-	724,362	724,362
Transportation and roads	-	663,391	-	-	663,391
Fire protection	-	-	-	330,188	330,188
Veteran's Wall	-	-	-	54,400	54,400
Debt service expenditures	-	-	1,435,550	-	1,435,550
Capital projects	-	-	-	190,152	190,152
Committed to:					
Subsequent year's expenditures	690,000	-	-	-	690,000
Unassigned	364,862	-	-	-	364,862
<i>Total fund balances</i>	1,117,933	663,391	1,435,550	1,353,934	4,570,808
<i>Total liabilities and fund balances</i>	\$ 1,533,231	\$ 663,391	\$ 1,435,550	\$ 1,424,881	\$ 5,057,053

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Truth or Consequences

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2013

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 4,570,808
Residual balances of the internal service funds are included within the governmental activities and are not reported within the governmental funds	99,041
Bond issuance costs net of accumulated amortization are not a current financial resource, and therefore, are not reported in the funds.	51,136
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	9,938,456
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unearned revenue in the fund financial statements, but are considered revenue in the Statement of Activities	26,279
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	(16,717)
Current portion of accrued compensated absences	(219,634)
Long-term portion of accrued compensated absences	(121,470)
Bonds and notes payable	<u>(4,638,077)</u>
Net position of governmental activities	<u>\$ 9,689,822</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, 2013

Exhibit B-2
Page 1 of 2

	<u>General Fund</u>	<u>Municipal Streets Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenues</i>					
Taxes:					
Property	\$ 164,361	\$ -	\$ -	\$ -	\$ 164,361
Gross receipts	2,584,908	117,180	418,452	231	3,120,771
Gasoline and motor vehicle	24,911	78,355	-	-	103,266
Other	78,185	-	-	203,294	281,479
Intergovernmental					
Federal operating grants	-	-	-	-	-
Federal capital grants	-	-	-	-	-
State operating grants	243,072	-	-	316,840	559,912
State capital grants	-	39,491	1,338	525,722	566,551
Charges for services	69,558	-	-	64,761	134,319
Licenses and fees	41,641	-	-	-	41,641
Investment income	359	80	1,770	274	2,483
Miscellaneous	45,067	-	-	1,607	46,674
<i>Total revenues</i>	<u>3,252,062</u>	<u>235,106</u>	<u>421,560</u>	<u>1,112,729</u>	<u>5,021,457</u>
<i>Expenditures</i>					
Current:					
General government	1,671,186	-	476	210,988	1,882,650
Public safety	1,521,064	-	-	130,970	1,652,034
Public works	1,288,068	764,455	-	99,657	2,152,180
Culture and recreation	390,900	-	-	196,735	587,635
Health and welfare	231,616	-	-	11,802	243,418
Capital outlay	82,302	60,240	-	462,539	605,081
Debt service:					
Principal	-	8,088	251,616	-	259,704
Interest	-	79	172,772	1,708	174,559
<i>Total expenditures</i>	<u>5,185,136</u>	<u>832,862</u>	<u>424,864</u>	<u>1,114,399</u>	<u>7,557,261</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,933,074)</u>	<u>(597,756)</u>	<u>(3,304)</u>	<u>(1,670)</u>	<u>(2,535,804)</u>
<i>Other financing sources (uses)</i>					
Loan proceeds	-	-	-	228,113	228,113
Transfers in	2,356,257	220,000	94,490	379,575	3,050,322
Transfers out	(504,346)	(223,163)	(140,743)	(409,416)	(1,277,668)
<i>Total other financing sources (uses)</i>	<u>1,851,911</u>	<u>(3,163)</u>	<u>(46,253)</u>	<u>198,272</u>	<u>2,000,767</u>
<i>Net change in fund balance</i>	(81,163)	(600,919)	(49,557)	196,602	(535,037)
<i>Fund balance - beginning of year</i>	<u>1,199,096</u>	<u>1,264,310</u>	<u>1,485,107</u>	<u>1,157,332</u>	<u>5,105,845</u>
<i>Fund balance - end of year</i>	<u>\$ 1,117,933</u>	<u>\$ 663,391</u>	<u>\$ 1,435,550</u>	<u>\$ 1,353,934</u>	<u>\$ 4,570,808</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Truth or Consequences

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

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	\$	(535,037)
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Change in net position of internal service funds		(17,071)
--	--	----------

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		605,081
Gain (loss) on disposition of capital assets		(9,361)
Depreciation expense		(331,339)

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

Decrease in deferred revenue related to property taxes receivable		2,333
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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		(1,635)
Decrease in accrued interest		752

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 position. 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)
Loan proceeds from the issuance debt		(228,113)
Principal payments on loans and notes payable		259,704

Change in net position of governmental activities	\$	<u><u>(259,503)</u></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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ 156,000	\$ 156,000	\$ 163,713	\$ 7,713
Gross receipts	2,535,000	2,535,000	2,649,200	114,200
Gasoline and motor vehicle	24,200	24,200	23,014	(1,186)
Other	84,310	84,310	77,085	(7,225)
Intergovernmental income:				
State operating grant	285,019	369,019	243,697	(125,322)
Charges for services	83,700	83,700	69,156	(14,544)
Licenses and fees	50,240	50,240	41,641	(8,599)
Investment income	621	621	359	(262)
Miscellaneous	22,950	22,950	40,067	17,117
<i>Total revenues</i>	<u>3,242,040</u>	<u>3,326,040</u>	<u>3,307,932</u>	<u>(18,108)</u>
<i>Expenditures</i>				
Current:				
General government	1,600,047	1,630,774	1,470,816	159,958
Public safety	1,711,533	1,712,533	1,507,827	204,706
Public works	1,426,501	1,498,280	1,292,254	206,026
Culture and recreation	430,693	425,693	391,525	34,168
Health and welfare	-	267,000	263,064	3,936
Capital outlay	-	-	82,302	(82,302)
<i>Total expenditures</i>	<u>5,168,774</u>	<u>5,534,280</u>	<u>5,007,788</u>	<u>526,492</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,926,734)</u>	<u>(2,208,240)</u>	<u>(1,699,856)</u>	<u>508,384</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(104,021)	397,526	-	(397,526)
Transfers in	2,348,700	2,487,550	2,356,257	(131,293)
Transfers out	(317,945)	(676,836)	(504,346)	172,490
<i>Total other financing sources (uses)</i>	<u>1,926,734</u>	<u>2,208,240</u>	<u>1,851,911</u>	<u>(356,329)</u>
<i>Net change in fund balance</i>	-	-	152,055	152,055
<i>Fund balance - beginning of year</i>	-	-	831,777	831,777
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 983,832</u>	<u>\$ 983,832</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 152,055	
Adjustments to revenues for property taxes and state operating grants.			(55,870)	
Adjustments to expenditures for salaries and operating expenses.			(177,348)	
Net change in fund balance (GAAP)			<u>\$ (81,163)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Municipal Streets Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	123,123	123,123	128,850	5,727
Gasoline and motor vehicle	78,338	78,338	73,382	(4,956)
Intergovernmental income:				
Federal operating grant	1,192,240	1,192,240	-	(1,192,240)
State operating grant	38,875	38,875	-	(38,875)
State capital grant	-	-	39,491	39,491
Licenses and fees	-	-	-	-
Investment income	-	-	80	80
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,432,576</u>	<u>1,432,576</u>	<u>241,803</u>	<u>(1,190,773)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public works	1,321,886	1,336,646	766,214	570,432
Capital outlay	60,000	60,240	60,240	-
Debt Service:				
Principal	-	-	6,753	(6,753)
Interest	-	-	79	(79)
<i>Total expenditures</i>	<u>1,381,886</u>	<u>1,396,886</u>	<u>833,286</u>	<u>563,600</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>50,690</u>	<u>35,690</u>	<u>(591,483)</u>	<u>(627,173)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(77,690)	(54,527)	-	54,527
Transfers in	27,000	242,000	220,000	(22,000)
Transfers out	-	(223,163)	(223,163)	-
<i>Total other financing sources (uses)</i>	<u>(50,690)</u>	<u>(35,690)</u>	<u>(3,163)</u>	<u>32,527</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(594,646)</u>	<u>(594,646)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,233,844</u>	<u>1,233,844</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 639,198</u>	<u>\$ 639,198</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (594,646)	
Adjustments to revenues for property taxes and state operating grants.			(6,697)	
Adjustments to expenditures for salaries and operating expenses.			424	
Net change in fund balance (GAAP)			<u>\$ (600,919)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities - Enterprise Funds			
	Joint Utility Fund	Airport Fund	Solid Waste Fund	Other Enterprise Funds
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 4,055,546	\$ 100,279	\$ 651,900	\$ 55,594
Investments	1,543,460	-	-	-
Receivables				
Utility receivables, net	1,185,521	-	-	-
Due from other governments	4,705	-	11,099	673
Inventory	1,959,658	26,449	-	-
<i>Total current assets</i>	<u>8,748,890</u>	<u>126,728</u>	<u>662,999</u>	<u>56,267</u>
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	1,036,285	-	-	-
Bond issuance costs (net of amortization of \$4,687)	58,410	-	-	-
Capital assets	13,136,328	3,286,591	3,487,886	1,213,161
Accumulated depreciation	(7,821,775)	(756,515)	(2,154,302)	(342,955)
<i>Total noncurrent assets</i>	<u>6,409,248</u>	<u>2,530,076</u>	<u>1,333,584</u>	<u>870,206</u>
<i>Total assets</i>	<u>\$ 15,158,138</u>	<u>\$ 2,656,804</u>	<u>\$ 1,996,583</u>	<u>\$ 926,473</u>
<i>Liabilities and Net Position</i>				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 434,598	\$ 1,582	\$ 16,430	\$ 6,977
Accrued payroll expenses	61,287	1,470	-	-
Accrued compensated absences	151,908	3,098	-	-
Customer deposits	149,213	-	-	-
Accrued interest	21,966	-	-	-
Current portion of long-term debt	380,072	-	-	-
<i>Total current liabilities</i>	<u>1,199,044</u>	<u>6,150</u>	<u>16,430</u>	<u>6,977</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences	74,374	5,179	-	-
Accrued landfill closure costs	-	-	674,212	-
Bonds payable	3,755,162	-	-	-
Leases and notes payable	1,100,000	-	-	-
<i>Total noncurrent liabilities</i>	<u>4,929,536</u>	<u>5,179</u>	<u>674,212</u>	<u>-</u>
<i>Total liabilities</i>	<u>6,128,580</u>	<u>11,329</u>	<u>690,642</u>	<u>6,977</u>
<i>Net Position</i>				
Net investment in capital assets	79,319	2,530,076	1,333,584	870,206
Restricted for:				
Debt service	2,579,745	-	-	-
Unrestricted	6,370,494	115,399	(27,643)	49,290
<i>Total net position</i>	<u>9,029,558</u>	<u>2,645,475</u>	<u>1,305,941</u>	<u>919,496</u>
<i>Total liabilities and net position</i>	<u>\$ 15,158,138</u>	<u>\$ 2,656,804</u>	<u>\$ 1,996,583</u>	<u>\$ 926,473</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
\$ 4,863,319	\$ 63,316
1,543,460	-
1,185,521	-
16,477	-
1,986,107	35,725
<u>9,594,884</u>	<u>99,041</u>
1,036,285	-
58,410	-
21,123,966	-
(11,075,547)	-
<u>11,143,114</u>	<u>-</u>
<u>\$ 20,737,998</u>	<u>\$ 99,041</u>
\$ 459,587	\$ -
62,757	-
155,006	-
149,213	-
21,966	-
380,072	-
<u>1,228,601</u>	<u>-</u>
79,553	-
674,212	-
3,755,162	-
1,100,000	-
<u>5,608,927</u>	<u>-</u>
<u>6,837,528</u>	<u>-</u>
4,813,185	-
2,579,745	-
<u>6,507,540</u>	<u>99,041</u>
<u>13,900,470</u>	<u>99,041</u>
<u>\$ 20,737,998</u>	<u>\$ 99,041</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			
	Joint Utility Fund	Airport Fund	Solid Waste Fund	Other Enterprise Funds
<i>Operating revenues</i>				
Charges for services	\$ 9,844,359	\$ 238,571	\$ 92,470	\$ 28,236
<i>Total operating revenues</i>	9,844,359	238,571	92,470	28,236
<i>Operating expenses</i>				
General operating	4,728,470	398,795	42,092	72,577
Personnel services	1,689,687	52,593	-	-
Depreciation	250,048	78,029	106,600	23,026
<i>Total operating expenses</i>	6,668,205	529,417	148,692	95,603
<i>Operating income (loss)</i>	3,176,154	(290,846)	(56,222)	(67,367)
<i>Non-operating revenues (expenses)</i>				
Interest expense	(149,503)	-	(1,342)	-
Investment income	15,709	18	1,797	7
Gross receipts taxes	-	7,180	1,332	-
Amortization of bond issuance costs	(3,587)	-	-	-
Miscellaneous income	-	4,604	-	-
Gain (loss) on disposition of asset	-	-	-	(13,878)
<i>Total non-operating revenues (expenses)</i>	(137,381)	11,802	1,787	(13,871)
<i>Income (loss) before contributions and transfers</i>	3,038,773	(279,044)	(54,435)	(81,238)
Government contributions	1,425,557	387,844	-	-
Transfers in	3,944,651	350,454	1,002,096	177,026
Transfers out	(6,969,609)	(277,230)	(42)	-
<i>Change in net position</i>	1,439,372	182,024	947,619	95,788
<i>Net position - beginning</i>	7,590,186	2,463,451	358,322	823,708
<i>Net position - end of year</i>	\$ 9,029,558	\$ 2,645,475	\$ 1,305,941	\$ 919,496

The accompanying notes are an integral part of these financial statements

<u>Total</u>	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<u>\$ 10,203,636</u>	<u>\$ 17,127</u>
10,203,636	17,127
5,241,934	34,198
1,742,280	-
<u>457,703</u>	<u>-</u>
<u>7,441,917</u>	<u>34,198</u>
<u>2,761,719</u>	<u>(17,071)</u>
(150,845)	-
17,531	-
8,512	-
(3,587)	-
4,604	-
<u>(13,878)</u>	<u>-</u>
<u>(137,663)</u>	<u>-</u>
<u>2,624,056</u>	<u>(17,071)</u>
1,813,401	-
5,474,227	-
<u>(7,246,881)</u>	<u>-</u>
2,664,803	(17,071)
<u>11,235,667</u>	<u>116,112</u>
<u>\$ 13,900,470</u>	<u>\$ 99,041</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			
	Joint Utility Fund	Airport Fund	Solid Waste Fund	Other Enterprise Funds
<i>Cash flows from operating activities</i>				
Cash received from user charges	\$ 10,003,033	\$ 238,571	\$ 94,286	\$ 27,563
Cash payments to employees for services	34,517	439	-	-
Cash payments to suppliers for goods and services	(7,990,452)	(446,704)	(25,662)	(67,381)
<i>Net cash provided (used) by operating activities</i>	<u>2,047,098</u>	<u>(207,694)</u>	<u>68,624</u>	<u>(39,818)</u>
<i>Cash flows from noncapital financing activities</i>				
Government contributions	1,425,557	395,024	1,332	-
Miscellaneous income	-	4,604	-	-
Payments of accrued compensated absences	(5,392)	(1,013)	-	-
Accrued landfill closure costs	-	-	23,502	-
Transfers	(2,507,095)	62,279	828,443	66,777
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(1,086,930)</u>	<u>460,894</u>	<u>853,277</u>	<u>66,777</u>
<i>Cash flows from investing activities</i>				
Acquisition of capital assets	(936,226)	(272,626)	(751,485)	-
Interest on investments	15,709	18	1,797	7
<i>Net cash provided (used) by investing activities</i>	<u>(920,517)</u>	<u>(272,608)</u>	<u>(749,688)</u>	<u>7</u>
<i>Cash flows from capital and related financing activities</i>				
Interest paid	(176,441)	-	(1,342)	-
Bond issuances costs	(23,513)	-	-	-
Proceeds from issuance of long-term debt	1,590,606	-	-	-
Principal payments on bonds, loans and notes payable	(1,926,047)	-	(137,391)	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(535,395)</u>	<u>-</u>	<u>(138,733)</u>	<u>-</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>(495,744)</u>	<u>(19,408)</u>	<u>33,480</u>	<u>26,966</u>
<i>Cash and cash equivalents - beginning of year</i>	6,964,849	119,687	618,420	28,628
<i>Cash and cash equivalents - reclassification</i>	(1,377,274)	-	-	-
<i>Cash and cash equivalents - beginning as reclassified</i>	<u>5,587,575</u>	<u>119,687</u>	<u>618,420</u>	<u>28,628</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 5,091,831</u>	<u>\$ 100,279</u>	<u>\$ 651,900</u>	<u>\$ 55,594</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ 3,176,154	\$ (290,846)	\$ (56,222)	\$ (67,367)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	250,048	78,029	106,600	23,026
Changes in assets and liabilities				
Receivables	158,674	-	1,816	(673)
Inventory	(609,177)	10,504	-	-
Accounts payable	(953,045)	(5,820)	16,430	5,196
Accrued payroll expenses	(9,454)	(733)	-	-
Accrued compensated absences	43,971	1,172	-	-
Meter deposits	(10,073)	-	-	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 2,047,098</u>	<u>\$ (207,694)</u>	<u>\$ 68,624</u>	<u>\$ (39,818)</u>

The accompanying notes are an integral part of these financial statements

Total	Governmental Activities Internal Service Funds
\$ 10,363,453	\$ 17,127
34,956	-
(8,530,199)	(32,905)
<u>1,868,210</u>	<u>(15,778)</u>
1,821,913	-
4,604	-
(6,405)	-
23,502	-
<u>(1,549,596)</u>	<u>-</u>
294,018	-
(1,960,337)	-
17,531	-
<u>(1,942,806)</u>	<u>-</u>
(177,783)	-
(23,513)	-
1,590,606	-
<u>(2,063,438)</u>	<u>-</u>
(674,128)	-
<u>(454,706)</u>	<u>(15,778)</u>
7,731,584	79,094
(1,377,274)	-
<u>6,354,310</u>	<u>79,094</u>
<u>\$ 5,899,604</u>	<u>\$ 63,316</u>
\$ 2,761,719	\$ (17,071)
457,703	-
159,817	-
(598,673)	1,293
(937,239)	-
(10,187)	-
45,143	-
(10,073)	-
<u>\$ 1,868,210</u>	<u>\$ (15,778)</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

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.

During the year ended June 30, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The City does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources

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. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. 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, 2013

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, No. 39 and No. 61.

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 those 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 position 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 Position 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 Position, 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 position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

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, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 7-1-6.24, 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 Commissioner.

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 Commissioners.

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

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

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

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

D. *Assets, Liabilities and Net Position 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.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 City 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.

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Unearned Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue.

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 position.

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 position. 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, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position 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 Commission. The formal action that is required to be taken to establish a fund balance commitment is the City Commission.

For assigned fund balance, the City Commission or an official or body to which the City Commission 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, 2013, the nonspendable fund balance of the City is comprised of inventory in the general fund in the amount of \$63,071 which is not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2013, the restricted fund balance on the governmental funds balance sheet is made up of \$54,832 for public safety, \$724,362 for culture and recreation, \$663,391 for transportation and roads, \$330,188 for fire protection, \$ 54,400 for Veteran's Wall, \$1,435,550 for debt services expenditures, \$190,151 for capital projects, and committed fund balance is made up of \$690,000 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, 2013.

Net Position: Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Consist of net position 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 position restricted for "special revenue, debt service, and capital projects" are described on pages 31 and 58-59.
- c. Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "Net Investment in Capital Assets."

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position 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. The General Fund, Airport and Joint Utility fund have been combined with funds that have identical activities for financial statement reporting.

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 Commission 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 Commissioners in accordance with the above procedures. These amendments resulted in the following changes:

	<u>Excess (deficiency) of revenues over expenditures</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
General Fund	\$ (1,926,734)	\$(2,208,240)
Municipal Streets Fund	50,690	35,690
Debt Service Fund	\$ (154,427)	\$ (154,427)
Nonmajor Governmental Funds	\$ (1,377,976)	\$(1,333,085)

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

	<u>Change in Net Position</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
Joint Utility	\$ (2,453,974)	\$ (489,598)
Airport	\$ 12,655	\$ 16,158
Solid Waste	\$ 11,956	\$ (546,187)
Nonmajor Proprietary Funds	\$ (8,155)	\$ (8,155)

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 Position – 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, 2013.

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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of the City’s accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

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, 2013, \$9,162,333 of the City’s bank balance of \$9,912,333 was subject to custodial credit risk. \$5,603,585 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the City’s name and \$3,558,748 of the City’s deposits was uninsured and uncollateralized at June 30, 2013.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

	Bank of the Southwest	Compass Bank	Total
Amount of deposits	\$ 7,807,341	\$ 2,104,992	\$ 9,912,333
FDIC Coverage	(500,000)	(250,000)	(750,000)
Total uninsured public funds	<u>7,307,341</u>	<u>1,854,992</u>	<u>9,162,333</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	3,748,593	1,854,992	5,603,585
Uninsured and uncollateralized	<u>\$ 3,558,748</u>	<u>\$ -</u>	<u>\$ 3,558,748</u>
Collateral requirement (50% of uninsured funds)	\$ 3,653,671	\$ 927,496	\$ 4,581,167
Pledged Collateral	3,748,593	2,801,862	6,550,455
Over (Under) collateralized	<u>\$ 94,922</u>	<u>\$ 1,874,366</u>	<u>\$ 1,969,288</u>

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

Investments

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

The City's investments at June 30, 2013 include the following:

Investments	Rated	Weighted Average Maturity	Fair Value
U.S Treasury Money Market Mutual Funds	* AA+	** >365 days	\$ 1,635,882
New Mexico State Treasurer Debt Service	* AA+	** >365 days	168,198
			<u>\$ 1,804,080</u>

** Based off Standards & Poor's rating

In addition to the restricted cash and cash equivalents above there are \$2,075,636 of certificates of deposits that are greater than 90 days and therefore are considered investments in the Statement of Net Position.

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 91% and 9%, respectively, of the investment portfolio. The City's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position

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

Cash and cash equivalents per Exhibit A-1	\$ 6,862,551
Investments per Exhibit A-1	2,075,636
Restricted cash and cash equivalents per Exhibit A-1	<u>2,724,059</u>
 Total cash, cash equivalents and investments	 11,662,246
 Plus: outstanding checks	 85,182
Less outstanding deposits	(30,125)
Less: U.S. Treasury Money Market Mutual Fund	(1,635,882)
Less: State Treasurer NMFA Debt Service	(168,198)
Less: petty cash	<u>(890)</u>
 Bank balance of deposits	 <u><u>\$ 9,912,333</u></u>

NOTE 4. Receivables

Receivables as of June 30, 2013, are as follows:

	General	Municipal Streets	Debt Service	Other Governmental Funds	Total
Property taxes	\$ 32,306	\$ -	\$ -	\$ -	\$ 32,306
Other taxes:					
Gross receipts taxes	378,838	-	69,432	202,264	650,534
Gasoline and oil taxes	-	24,193	-	-	24,193
Franchise and lodgers taxes	-	-	-	22,312	22,312
Other receivables:					
Intergovernmental-grants:					
State	<u>75,184</u>	<u>-</u>	<u>-</u>	<u>33,587</u>	<u>108,771</u>
 Totals	 <u><u>\$ 486,328</u></u>	 <u><u>\$ 24,193</u></u>	 <u><u>\$ 69,432</u></u>	 <u><u>\$ 258,163</u></u>	 <u><u>\$ 838,116</u></u>

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

Governmental funds report *unearned 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. Unearned revenue related to property taxes receivable for the City for the year ended June 30, 2013 was \$26,279.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 4. Receivables (continued)

Proprietary fund receivables as of June 30, 2013, are as follows:

	<u>Joint Utility</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Utility receivables	\$1,491,397	\$ -	\$ -	\$ -	\$ 1,491,397
Less: Allowance for uncollectible accounts	(305,876)	-	-	-	(305,876)
Other receivables:					
Intergovernmental-grants:					
State	4,705	-	11,099	673	16,477
Totals	<u>\$1,190,226</u>	<u>\$ -</u>	<u>\$ 11,099</u>	<u>\$ 673</u>	<u>\$ 1,201,998</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	\$ 1,883,535
Joint Utility Proprietary Fund	Capital Expenditures Fund	18,860
Joint Utility Proprietary Fund	Airport Proprietary Fund	291,650
Joint Utility Proprietary Fund	Recreation Fund	150,000
Joint Utility Proprietary Fund	Debt Service Fund	94,490
Joint Utility Proprietary Fund	Joint Utility Proprietary Fund	3,348,820
Joint Utility Proprietary Fund	CDBG Project	1
Solid Waste Proprietary Fund	Joint Utility Proprietary Fund	42
General Fund	Joint Utility Proprietary Fund	27,814
General Fund	Municipal Streets Fund	220,000
Municipal Street Fund	General Fund	223,163
Morgan Street Flood Control Fund	Joint Utility Proprietary Fund	2
General Fund	Veteran's Wall Fund	12,000
General Fund	Capital Expenditures Fund	72,280
General Fund	Recreation Fund	5,000
General Fund	Correction Fees Fund	5,000
General Fund	Airport Proprietary Fund	48,945
DWI Grant Special Revenue Fund	Airport Proprietary Fund	9,859
Recreation Fund	Joint Utility Proprietary Fund	150,000
CDBG Fund	General Fund	249,559
Joint Utility Proprietary Fund	Federal Seizure Share Fund	1
General Fund	Police Department GRT Fund	113,307
Joint Utility Proprietary Fund	Golf Course Proprietary Fund	177,026
Airport Proprietary Fund	Joint Utility Proprietary Fund	277,230
Joint Utility Proprietary Fund	R&R Emergency Fund	3,126
Joint Utility Proprietary Fund	Solid Waste Proprietary Fund	1,002,096
Debt Service Fund	Joint Utility Proprietary Fund	140,743
Total		<u>\$ 8,524,549</u>

The City does not pool their cash and therefore the City did not have any internal balances as of June 30, 2013.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows. Land and construction in progress are not subject to depreciation.

Governmental Activities:

	Balance June 30, 2012	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 4,718,680	\$ -	\$ -	\$ 4,718,680
Construction in progress	93,148	387,010	-	480,158
	<u>4,811,828</u>	<u>387,010</u>	<u>-</u>	<u>5,198,838</u>
Capital assets being depreciated:				
Buildings and improvements	8,154,100	44,239	-	8,198,339
Equipment	2,327,925	91,227	62,340	2,356,812
Infrastructure	2,333,051	-	-	2,333,051
Vehicles	1,651,863	82,605	-	1,734,468
	<u>14,466,939</u>	<u>218,071</u>	<u>62,340</u>	<u>14,622,670</u>
Total capital assets	<u>19,278,767</u>	<u>605,081</u>	<u>62,340</u>	<u>19,821,508</u>
Accumulated depreciation:				
Buildings and improvements	6,273,683	66,834	-	6,340,517
Equipment	1,741,050	127,006	52,979	1,815,077
Infrastructure	210,897	73,881	-	284,778
Vehicles	1,379,062	63,618	-	1,442,680
	<u>9,604,692</u>	<u>331,339</u>	<u>52,979</u>	<u>9,883,052</u>
Net Capital Assets	<u>\$ 9,674,075</u>	<u>\$ 273,742</u>	<u>\$ 9,361</u>	<u>\$ 9,938,456</u>

Depreciation expense for the year ended June 30, 2013 was charged to governmental activities as follows:

Total by Function	
General government	\$ 228,888
Public safety	28,021
Public works	4,783
Culture and recreation	69,647
Total	<u>\$ 331,339</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 6. Capital Assets (continued)

Business-type Activities:

	Balance June 30, 2012	Adjustments	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 1,774,283	\$ -	\$ -	\$ -	\$ 1,774,283
Construction in progress	1,336,976	-	68,643	1,293,248	112,371
	<u>3,111,259</u>	<u>-</u>	<u>68,643</u>	<u>1,293,248</u>	<u>1,886,654</u>
Capital assets being depreciated:					
Buildings and improvements	1,770,826	-	1,201,598	-	2,972,424
Utility Plant	6,310,891	-	1,601,696	-	7,912,587
Golf course infrastructure	1,860	-	-	-	1,860
Airport infrastructure	2,440,338	-	272,626	-	2,712,964
Equipment	3,857,499	-	9,975	168,549	3,698,925
Vehicles	1,844,005	-	99,047	4,500	1,938,552
	<u>16,225,419</u>	<u>-</u>	<u>3,184,942</u>	<u>173,049</u>	<u>19,237,312</u>
Total capital assets	<u>19,336,678</u>	<u>-</u>	<u>3,253,585</u>	<u>1,466,297</u>	<u>21,123,966</u>
Accumulated depreciation:					
Buildings and improvements	1,221,541	(66,451)	31,701	-	1,186,791
Utility Plant	4,318,104	(1,342)	181,996	-	4,498,758
Airport infrastructure	335,511	-	73,390	-	408,901
Equipment	3,228,564	53,947	104,296	154,671	3,232,136
Vehicles	1,673,295	(2,195)	82,361	4,500	1,748,961
	<u>10,777,015</u>	<u>(16,041)</u>	<u>473,744</u>	<u>159,171</u>	<u>11,075,547</u>
Net Book Value	<u>\$ 8,559,663</u>	<u>\$ 16,041</u>	<u>\$ 2,779,841</u>	<u>\$ 1,307,126</u>	<u>\$ 10,048,419</u>

Depreciation expense for the year ended June 30, 2013 was charged to business-type activities as follows:

Joint Utility Fund	\$ 263,368
Airport Fund	88,127
Solid Waste Fund	110,187
Golf Course Fund	7,647
Cemetery Fund	4,415
Total	<u>\$ 473,744</u>

During the year ending June 30, 2013, the City had adjustments to their assets that were still depreciating. The City charged full year depreciation regardless of when placed in service and changed to depreciation to starting to depreciate by date in service which caused a \$16,041 adjustment as noted above. Therefore depreciation per the Statement of Revenues, Expenses and Changes in Net Position- Proprietary Funds is \$457,703 due to this adjustment.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities	Balance			Balance	
	June 30, 2012	Additions	Deletions	June 30, 2013	Due Within One Year
Leases Payable					
Key Equipment Finance - Front end loader tractor	\$ 8,088	\$ -	8,088	\$ -	\$ -
Total Leases Payable	<u>8,088</u>	<u>-</u>	<u>8,088</u>	<u>-</u>	<u>-</u>
NMFA Loans- Notes Payable					
NMFA Construction & Repairs of Streets and Sidewalks	1,935,483	-	83,891	1,851,592	85,241
NMFA Refinance Improvement Bonds	2,533,802	-	155,000	2,378,802	155,000
NMFA Police Department Building	192,295	-	12,725	179,570	12,876
NMFA Fire Pumper	-	228,113	-	228,113	-
Total NMFA Loans- Notes Payable	<u>4,661,580</u>	<u>228,113</u>	<u>251,616</u>	<u>4,638,077</u>	<u>253,117</u>
Compensated Absences	<u>339,469</u>	<u>221,269</u>	<u>219,634</u>	<u>341,104</u>	<u>219,634</u>
Total Long-term debt	<u>\$ 5,009,137</u>	<u>\$ 449,382</u>	<u>\$ 479,338</u>	<u>\$ 4,979,181</u>	<u>\$ 472,751</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

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, 2013, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2014	\$ 85,241	\$ 65,122	\$ 150,363
2015	86,878	63,444	150,322
2016	88,763	61,518	150,281
2017	90,893	59,346	150,239
2018	93,275	56,927	150,202
2019-2023	510,846	239,441	750,287
2024-2028	613,144	135,861	749,005
2029-2030	282,552	16,583	299,135
	<u>\$ 1,851,592</u>	<u>\$ 698,242</u>	<u>\$ 2,549,834</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, 2013, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
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	117,996	80,446	198,442
2019-2023	662,395	329,815	992,210
2024-2028	825,182	167,027	992,209
2029	179,018	8,836	187,854
	<u>\$ 2,378,802</u>	<u>\$ 956,244</u>	<u>\$ 3,335,046</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

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, 2013, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2014	\$ 12,876	\$ 1,849	\$ 14,725
2015	13,012	1,745	14,757
2016	13,156	1,634	14,790
2017	13,304	1,518	14,822
2018	13,460	1,396	14,856
2019-2023	69,874	4,916	74,790
2024-2026	43,888	1,026	44,914
	<u>\$ 179,570</u>	<u>\$ 14,084</u>	<u>\$ 193,654</u>

On June 21, 2013, the City borrowed \$228,113 from the New Mexico Finance Authority. The note matures on May 1, 2024, and accrues interest at from 0.420% to 1.75% per annum. The proceeds of the loan were used for acquiring a Fire Pumper used by the City's volunteer fire 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, 2013, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2014	\$ -	\$ 2,465	\$ 2,465
2015	20,009	1,759	21,768
2016	21,673	1,640	23,313
2017	21,814	1,476	23,290
2018	21,995	1,271	23,266
2019-2023	119,266	2,061	121,327
2024	23,356	20	23,376
	<u>\$ 228,113</u>	<u>\$ 10,692</u>	<u>\$ 238,805</u>

The debt service and fire protection fund has 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, 2013, compensated absences increased \$1,635 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, 2013

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, 2013:

Business-Type Activities	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
Revenue Bonds					
Series 1998 US Dept of Agriculture - utility system 91-04	\$ 239,075	\$ -	239,075	\$ -	\$ -
Series 1996 US Dept of Agriculture - Extension & Improvements utility system	770,000	-	770,000	-	-
Series 1996 US Dept of Agriculture - Extension & Improvements utility	521,500	-	521,500	-	-
Series 2012 Solid Waste Revenue bonds	1,240,000	-	70,000	1,170,000	70,000
Total Revenue Bonds	<u>2,770,575</u>	<u>-</u>	<u>1,600,575</u>	<u>1,170,000</u>	<u>70,000</u>
Lease Purchase Payable					
John Deere Credit - waste handler truck	104,107	-	104,107	-	-
Kansas State Bank - side loader refuse truck	33,284	-	33,284	-	-
Total Lease Purchase Payable	<u>137,391</u>	<u>-</u>	<u>137,391</u>	<u>-</u>	<u>-</u>
Loans Payable					
NMFA Storage Tanks	955,927	-	95,902	860,025	98,719
NMFA Low voltage feeder line	1,113,909	-	75,484	1,038,425	78,011
NM Environment Department - utility system	185,012	-	28,602	156,410	29,460
NM Environment Department - utility system 95-16	289,252	-	25,232	264,020	25,989
NMFA Ground Storage Tanks	256,000	-	25,029	230,971	12,561
NMFA SUSDA Loan Refinance of 95,96, and 98 Utility Revenue	-	1,424,865	66,936	1,357,929	57,045
NMFA Water Tanks Loan	-	165,741	8,287	157,454	8,287
Total Loans Payable	<u>2,800,100</u>	<u>1,590,606</u>	<u>325,472</u>	<u>4,065,234</u>	<u>310,072</u>
Landfill Closure and post closure Compensated Absences	650,704	23,508	-	674,212	-
	<u>195,821</u>	<u>193,744</u>	<u>155,006</u>	<u>234,559</u>	<u>155,006</u>
Total Long-term debt	<u>\$ 6,554,591</u>	<u>\$1,807,858</u>	<u>\$2,218,444</u>	<u>\$ 6,144,005</u>	<u>\$ 535,078</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 7. Long-term Debt (continued)

Revenue Bonds

On February 3, 2012, the City issued solid waste revenue bond in the amount of \$1,260,000 for the purpose of construction of the solid waste collection center and purchase of any equipment necessary for optimal operation. The bond bears interest at 3.95% per annum and matures on June 1, 2026. 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 joint utility system which includes revenues from the solid waste collection center.

The annual requirements to amortize the revenue bonds as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	80,000	34,365	114,365
2019-2023	465,000	120,674	585,674
2024-2026	325,000	25,873	350,873
	<u>\$ 1,170,000</u>	<u>\$ 348,590</u>	<u>\$ 1,518,590</u>

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, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 98,719	\$ 19,408	\$ 118,127
2015	101,206	17,173	118,379
2016	103,767	14,871	118,638
2017	106,410	12,500	118,910
2018	109,114	10,058	119,172
2019-2021	340,809	14,772	355,581
	<u>\$ 860,025</u>	<u>\$ 88,782</u>	<u>\$ 948,807</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

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, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	89,881	27,307	117,188
2019-2023	505,545	84,086	589,631
2024	114,063	4,674	118,737
	<u>\$ 1,038,425</u>	<u>\$ 253,714</u>	<u>\$ 1,292,139</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, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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>\$ 156,410</u>	<u>\$ 14,354</u>	<u>\$ 170,764</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

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, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 25,989	\$ 7,921	\$ 33,910
2015	26,768	7,141	33,909
2016	27,571	6,338	33,909
2017	28,398	5,511	33,909
2018	29,250	4,659	33,909
2019-2022	126,044	9,595	135,639
	<u>\$ 264,020</u>	<u>\$ 41,165</u>	<u>\$ 305,185</u>

On December 30, 2011 the City borrowed \$256,000 from the New Mexico Finance Authority. 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 ground storage tanks. 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, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 12,561	\$ -	\$ 12,561
2015	12,593	-	12,593
2016	12,624	-	12,624
2017	12,656	-	12,656
2018	12,687	-	12,687
2019-2023	63,915	-	63,915
2024-2028	64,717	-	64,717
2029-2032	39,218	-	39,218
	<u>\$ 230,971</u>	<u>\$ -</u>	<u>\$ 230,971</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 7. Long-term Debt (continued)

On August 17, 2012 the City borrowed \$1,424,865 from the New Mexico Finance Authority. The note matures on May 1, 2033, with 3.00% interest rate with an administrative fee component of ¼ of 1%. The proceeds of the loan were used to refinance Revenue Bonds 95, 96, and 98. 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, 2013, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2014	\$ 57,045	\$ 34,140	\$ 91,185
2015	57,296	33,890	91,186
2016	57,628	33,558	91,186
2017	58,083	33,102	91,185
2018	58,670	32,516	91,186
2019-2023	308,574	147,352	455,926
2024-2028	350,081	105,844	455,925
2029-2033	410,552	45,074	455,626
	<u>\$ 1,357,929</u>	<u>\$ 465,476</u>	<u>\$ 1,823,405</u>

On October 1, 2012 the City borrowed \$165,741 from the New Mexico Finance Authority. The note matures on May 1, 2032, with 0% interest rate with an administrative fee component of ¼ of 1%. The proceeds of the loan were used for water storage tanks. 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, 2013, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2014	\$ 8,287	\$ -	\$ 8,287
2015	8,287	-	8,287
2016	8,287	-	8,287
2017	8,287	-	8,287
2018	8,287	-	8,287
2019-2023	43,935	-	43,935
2024-2028	43,935	-	43,935
2029-2032	28,149	-	28,149
	<u>\$ 157,454</u>	<u>\$ -</u>	<u>\$ 157,454</u>

In prior years, the Joint Utility fund has 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, 2013, compensated absences increased \$38,738 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, 2013

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, 2013, 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, 2013.
- 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, 2013.
- 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, 2013.

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 [http:// www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy. Plan members are required to contribute the following percentages of their gross salary: 9.15% for law enforcement, fire protection and municipal employees. The City is required to contribute the following percentages of the gross covered salary: 25.65% for law enforcement employees, 28.30% for fire protection employees, and 13.15% for municipal employees. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ending June 30, 2013, 2012 and 2011 were \$347,942, \$323,103, and \$316,263, respectively, which equal 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, 2013

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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribution 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$98,056, \$87,839, \$77,558, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

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, 2013 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 \$674,212 as of June 30, 2013 which is based on 98 percent usage (filled) of the landfill. The increase of landfill closure and post closure costs is due to an increase in inflation rate of 3.5% 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 (\$674,212) 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, 2013. 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, 2013 as follows:

<u>Project Description</u>	<u>Contract Amount Remaining</u>	<u>Estimated Date of Completion</u>
Pool Cover	\$ 279,866	December 2013
Recycling Center	765,369	December 2013

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 25, 2013 which is the date on which the financial statements were issued.

NOTE 17. Restricted Net Position

The government-wide statement of net position reports \$4,959,549 of restricted net position, all of which is restricted by enabling legislation. See pages 31, and 58-59 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

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. 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.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2013

NOTE 20. Joint Powers Agreement (continued)

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. Reclassification

In prior years the City's cash flow amount of cash and cash equivalents at the end of the year included investments which were reclassified and not included currently. This resulted in a reclassification of \$1,377,274, as noted on Exhibit D-3.

NOTE 22. Subsequent Pronouncements

In March 2012, GASB 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 City will implement this standard during fiscal year June 30, 2014.

In March 2012, GASB 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 City will implement this standard during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement 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, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 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 City will implement this standard during the fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The City is still evaluating how this standard will affect the City.

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The City is still evaluating how this reporting standard will affect the City.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental and Proprietary Fund Descriptions
June 30, 2013

SPECIAL REVENUE FUNDS

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

RECREATION FUND – 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. The fund is authorized by Section 7-12-1 and 7-12-15, NMSA 1978.

CORRECTION FEES – 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 – 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.

POLICE DEPARTMENT GRT FUND – To account for 0.25% GRT for public safety purposes to include as salaries and equipment as authorized and approved by the City Commission.

LODGER'S TAX – 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 – 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 – 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 – 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 – 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 – 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 – 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 – 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 – To account for monies related to the Veteran's Memorial Park owned by the City. This fund was authorized by the City Commission.

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental and Proprietary Fund Descriptions
June 30, 2013

CAPITAL PROJECTS FUNDS- (continued)

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

PROPRIETARY FUNDS

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 Commission.

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, 2013

Special Revenue

	<u>Fire Protection</u>	<u>Recreation Fund</u>	<u>Correction Fees</u>	<u>Law Enforcement Protection</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 104,748	\$ 54,946	\$ 4,759	\$ 7,559
Restricted cash and cash equivalents	226,405	258,884	-	-
Receivables:				
Other taxes	-	202,264	-	-
Due from other governments	-	-	-	-
<i>Total assets</i>	<u>\$ 331,153</u>	<u>\$ 516,094</u>	<u>\$ 4,759</u>	<u>\$ 7,559</u>
<i>Liabilities</i>				
Accounts payable	\$ 965	\$ 66,127	\$ 908	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>965</u>	<u>66,127</u>	<u>908</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	3,851	7,559
Culture and recreation	-	449,967	-	-
Transportation and roads	-	-	-	-
Fire protection	330,188	-	-	-
Veteran's Wall	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Committed to:				
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>330,188</u>	<u>449,967</u>	<u>3,851</u>	<u>7,559</u>
<i>Total liabilities and fund balances</i>	<u>\$ 331,153</u>	<u>\$ 516,094</u>	<u>\$ 4,759</u>	<u>\$ 7,559</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Police Department GRT Fund	Lodger's Tax	DWI Grant	State Library	Veteran's Wall Perpetual Care	Federal Seizures Share
\$ 113,334	\$ 132,400	\$ 43,362	\$ 8,427	\$ 25,199	\$ 60
-	-	-	-	-	-
-	22,312	-	-	-	-
-	221	-	7	-	-
<u>\$ 113,334</u>	<u>\$ 154,933</u>	<u>\$ 43,362</u>	<u>\$ 8,434</u>	<u>\$ 25,199</u>	<u>\$ 60</u>
\$ -	\$ 2,306	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	2,306	-	-	-	-
-	-	43,362	-	-	60
113,334	152,627	-	8,434	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	25,199	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>113,334</u>	<u>152,627</u>	<u>43,362</u>	<u>8,434</u>	<u>25,199</u>	<u>60</u>
<u>\$ 113,334</u>	<u>\$ 154,933</u>	<u>\$ 43,362</u>	<u>\$ 8,434</u>	<u>\$ 25,199</u>	<u>\$ 60</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

Capital Projects

	<u>Senior Transportation</u>	<u>Capital Expenditures</u>	<u>Morgan Street Flood Control</u>	<u>R & R Emergency</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 88,168	\$ 17,717	\$ 1,351	\$ 47,438
Restricted cash and cash equivalents	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Due from other governments	-	33,359	-	-
<i>Total assets</i>	<u>\$ 88,168</u>	<u>\$ 51,076</u>	<u>\$ 1,351</u>	<u>\$ 47,438</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Fire protection	-	-	-	-
Veteran's Wall	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	88,168	51,076	1,351	47,438
Committed to:				
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>88,168</u>	<u>51,076</u>	<u>1,351</u>	<u>47,438</u>
<i>Total liabilities and fund balances</i>	<u>\$ 88,168</u>	<u>\$ 51,076</u>	<u>\$ 1,351</u>	<u>\$ 47,438</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>		
<u>Veteran's Wall</u>	<u>CDBG Project</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 29,842	\$ 2,119	\$ 681,429
-	-	485,289
-	-	224,576
-	-	33,587
<u>\$ 29,842</u>	<u>\$ 2,119</u>	<u>\$ 1,424,881</u>
\$ 641	\$ -	\$ 70,947
-	-	-
-	-	-
<u>641</u>	<u>-</u>	<u>70,947</u>
-	-	54,832
-	-	724,362
-	-	-
-	-	330,188
29,201	-	54,400
-	-	-
-	2,119	190,152
-	-	-
-	-	-
<u>29,201</u>	<u>2,119</u>	<u>1,353,934</u>
<u>\$ 29,842</u>	<u>\$ 2,119</u>	<u>\$ 1,424,881</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, 2013

Special Revenue

	<u>Fire Protection</u>	<u>Recreation Fund</u>	<u>Correction Fees</u>	<u>Law Enforcement Protection</u>
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	231	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
State operating grants	104,598	61,671	-	29,000
State capital grants	-	276,163	-	-
Charges for services	-	4,996	11,457	-
Investment income	107	46	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>104,705</u>	<u>343,107</u>	<u>11,457</u>	<u>29,000</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	84,355	-	16,221	30,394
Public works	-	-	-	-
Culture and recreation	-	161,702	-	-
Health and welfare	-	-	-	-
Capital outlay	15,847	412,486	-	-
Debt service:				
Principal	-	-	-	-
Interest	1,708	-	-	-
<i>Total expenditures</i>	<u>101,910</u>	<u>574,188</u>	<u>16,221</u>	<u>30,394</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,795</u>	<u>(231,081)</u>	<u>(4,764)</u>	<u>(1,394)</u>
<i>Other financing sources (uses)</i>				
Loan proceeds	228,113	-	-	-
Transfers in	-	155,000	5,000	-
Transfers out	-	(150,000)	-	-
<i>Total other financing sources (uses)</i>	<u>228,113</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
<i>Net change in fund balances</i>	230,908	(226,081)	236	(1,394)
<i>Fund balances - beginning of year</i>	<u>99,280</u>	<u>676,048</u>	<u>3,615</u>	<u>8,953</u>
<i>Fund balances - end of year</i>	<u>\$ 330,188</u>	<u>\$ 449,967</u>	<u>\$ 3,851</u>	<u>\$ 7,559</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Police Department GRT Fund	Lodger's Tax	DWI Grant	State Library	Veteran's Wall Perpetual Care	Federal Seizures Share
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	203,294	-	-	-	-
-	50,000	-	16,431	-	-
-	-	-	-	-	-
-	-	-	-	1,550	-
27	91	-	-	-	-
-	-	-	1,607	-	-
<u>27</u>	<u>253,385</u>	<u>-</u>	<u>18,038</u>	<u>1,550</u>	<u>-</u>
-	210,988	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	20,365	330	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>210,988</u>	<u>-</u>	<u>20,365</u>	<u>330</u>	<u>-</u>
<u>27</u>	<u>42,397</u>	<u>-</u>	<u>(2,327)</u>	<u>1,220</u>	<u>-</u>
-	-	-	-	-	-
113,307	-	-	-	-	1
-	-	(9,859)	-	-	-
<u>113,307</u>	<u>-</u>	<u>(9,859)</u>	<u>-</u>	<u>-</u>	<u>1</u>
113,334	42,397	(9,859)	(2,327)	1,220	1
-	110,230	53,221	10,761	23,979	59
<u>\$ 113,334</u>	<u>\$ 152,627</u>	<u>\$ 43,362</u>	<u>\$ 8,434</u>	<u>\$ 25,199</u>	<u>\$ 60</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, 2013

Capital Projects

	Senior Transportation	Capital Expenditures	Morgan Street Flood Control	R & R Emergency
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
State operating grants	-	55,140	-	-
State capital grants	-	-	-	-
Charges for services	46,758	-	-	-
Investment income	-	3	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>46,758</u>	<u>55,143</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	99,657	-	-
Culture and recreation	-	-	-	-
Health and welfare	11,801	-	-	-
Capital outlay	34,206	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>46,007</u>	<u>99,657</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>751</u>	<u>(44,514)</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Loan proceeds	-	-	-	-
Transfers in	-	91,140	-	3,126
Transfers out	-	-	2	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>91,140</u>	<u>2</u>	<u>3,126</u>
<i>Net change in fund balances</i>	751	46,626	2	3,126
<i>Fund balances - beginning of year</i>	<u>87,417</u>	<u>4,450</u>	<u>1,349</u>	<u>44,312</u>
<i>Fund balances - end of year</i>	<u>\$ 88,168</u>	<u>\$ 51,076</u>	<u>\$ 1,351</u>	<u>\$ 47,438</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>		
<u>Veteran's Wall</u>	<u>CDBG Project</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -
-	-	231
-	-	-
-	-	203,294
-	-	316,840
-	249,559	525,722
-	-	64,761
-	-	274
-	-	1,607
<u>-</u>	<u>249,559</u>	<u>1,112,729</u>
-	-	210,988
-	-	130,970
-	-	99,657
14,338	-	196,735
-	1	11,802
-	-	462,539
-	-	-
-	-	1,708
<u>14,338</u>	<u>1</u>	<u>1,114,399</u>
<u>(14,338)</u>	<u>249,558</u>	<u>(1,670)</u>
-	-	228,113
12,000	1	379,575
-	(249,559)	(409,416)
<u>12,000</u>	<u>(249,558)</u>	<u>198,272</u>
(2,338)	-	196,602
<u>31,539</u>	<u>2,119</u>	<u>1,157,332</u>
<u>\$ 29,201</u>	<u>\$ 2,119</u>	<u>\$ 1,353,934</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Fire Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-1

	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	84,279	104,602	104,598	(4)
Investment income	-	-	107	107
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>84,279</u>	<u>104,602</u>	<u>104,705</u>	<u>103</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	63,257	63,257	84,112	(20,855)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	120,966	141,289	15,793	125,496
Debt Service:				
Principal	-	-	-	-
Interest	-	-	1,708	(1,708)
<i>Total expenditures</i>	<u>184,223</u>	<u>204,546</u>	<u>101,613</u>	<u>102,933</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(99,944)</u>	<u>(99,944)</u>	<u>3,092</u>	<u>103,036</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	99,944	99,944	-	(99,944)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from issuance of debt	-	-	228,113	228,113
<i>Total other financing sources (uses)</i>	<u>99,944</u>	<u>99,944</u>	<u>228,113</u>	<u>128,169</u>
<i>Net change in fund balance</i>	-	-	231,205	231,205
<i>Fund balance - beginning of year</i>	-	-	99,948	99,948
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,153</u>	<u>\$ 331,153</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 231,205	
No adjustments for revenue accruals.			-	
Adjustments to expenditures for salaries and operating expenses.			(297)	
Net change in fund balance (GAAP)			<u>\$ 230,908</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

City of Truth or Consequences

Recreation Fund Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	231	231	-
Intergovernmental				
State operating grants	61,670	61,671	27,832	(33,839)
State capital grant	190,257	276,163	107,738	(168,425)
Charges for services	16,500	4,996	4,996	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>268,462</u>	<u>343,107</u>	<u>140,843</u>	<u>(202,264)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	21,150	161,702	161,702	-
Health and welfare	-	-	-	-
Capital outlay	240,566	412,486	346,359	66,127
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>261,716</u>	<u>574,188</u>	<u>508,061</u>	<u>66,127</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>6,746</u>	<u>(231,081)</u>	<u>(367,218)</u>	<u>(136,137)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(6,746)	226,081	-	(226,081)
Transfers in	150,000	155,000	155,000	-
Transfers out	(150,000)	(150,000)	(150,000)	-
<i>Total other financing sources (uses)</i>	<u>(6,746)</u>	<u>231,081</u>	<u>5,000</u>	<u>(226,081)</u>
<i>Net change in fund balance</i>	-	-	(362,218)	(362,218)
<i>Fund balance - beginning of year</i>	-	-	676,048	676,048
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,830</u>	<u>\$ 313,830</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (362,218)	
Adjustments to revenues for adjustments for pool cover accruals.			202,264	
Adjustments to expenditures for cultural and recreation accruals.			(66,127)	
Net change in fund balance (GAAP)			<u>\$ (226,081)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Correction Fees Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-3

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Charges for services	18,750	18,750	11,457	(7,293)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	18,750	18,750	11,457	(7,293)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	27,000	27,000	16,498	10,502
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	27,000	27,000	16,498	10,502
<i>Excess (deficiency) of revenues over expenditures</i>	(8,250)	(8,250)	(5,041)	3,209
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	3,250	3,250	-	(3,250)
Transfers in	5,000	5,000	5,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	8,250	8,250	5,000	(3,250)
<i>Net change in fund balance</i>	-	-	(41)	(41)
<i>Fund balance - beginning of year</i>	-	-	4,800	4,800
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 4,759	\$ 4,759
Net change in fund balance (non-GAAP budgetary basis)			\$ (41)	
No adjustments for revenue accruals.			-	
Adjustments to expenditures for corrections fee accruals.			277	
Net change in fund balance (GAAP)			\$ 236	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Law Enforcement Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-4

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	29,000	29,000	29,000	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	29,000	29,000	29,000	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	37,953	37,953	30,394	7,559
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	37,953	37,953	30,394	7,559
<i>Excess (deficiency) of revenues over expenditures</i>	(8,953)	(8,953)	(1,394)	7,559
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	8,953	8,953	-	(8,953)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	8,953	8,953	-	(8,953)
<i>Net change in fund balance</i>	-	-	(1,394)	(1,394)
<i>Fund balance - beginning of year</i>	-	-	8,953	8,953
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 7,559	\$ 7,559
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,394)	
No adjustments for revenue accruals.			-	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			\$ (1,394)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

City of Truth or Consequences
 Police Department GRT Fund 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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	27	27
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</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>27</u>	<u>27</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	113,307	113,307
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>113,307</u>	<u>113,307</u>
<i>Net change in fund balance</i>	-	-	113,334	113,334
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,334</u>	<u>\$ 113,334</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 113,334	
No adjustments for revenue accruals.			-	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			<u>\$ 113,334</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Lodger's Tax Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-6

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Other	191,100	191,100	195,640	4,540
Intergovernmental				
State operating grants	20,000	50,000	50,000	-
Charges for services	-	-	-	-
Investment income	-	-	91	91
Miscellaneous	-	-	-	-
<i>Total revenues</i>	211,100	291,100	245,731	(45,369)
<i>Expenditures:</i>				
Current:				
General government	195,847	235,847	209,619	26,228
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	195,847	235,847	209,619	26,228
<i>Excess (deficiency) of revenues over expenditures</i>	15,253	55,253	36,112	(19,141)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(15,253)	(55,253)	-	55,253
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	(15,253)	(55,253)	-	55,253
<i>Net change in fund balance</i>	-	-	36,112	36,112
<i>Fund balance - beginning of year</i>	-	-	96,288	96,288
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 132,400	\$ 132,400
Net change in fund balance (non-GAAP budgetary basis)			\$ 36,112	
Adjustments to revenues for lodger's tax and state operating grants accruals.			7,654	
Adjustments to expenditures for operating expenses accruals.			(1,369)	
Net change in fund balance (GAAP)			\$ 42,397	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
DWI Grant Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-7

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	28,711	28,711	28,711	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	28,711	28,711	28,711	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	12,725	16,200	16,197	3
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	12,725	16,200	16,197	3
<i>Excess (deficiency) of revenues over expenditures</i>	15,986	12,511	12,514	3
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(15,986)	(12,511)	-	12,511
Transfers in	-	-	-	-
Transfers out	-	-	(9,859)	(9,859)
<i>Total other financing sources (uses)</i>	(15,986)	(12,511)	(9,859)	2,652
<i>Net change in fund balance</i>	-	-	2,655	2,655
<i>Fund balance - beginning of year</i>	-	-	40,707	40,707
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 43,362	\$ 43,362
Net change in fund balance (non-GAAP budgetary basis)			\$ 2,655	
Adjustments to revenues for charges for services and state operating grants accruals.			(28,711)	
Adjustments to expenditures for DWI expenses accrual.			16,197	
Net change in fund balance (GAAP)			\$ (9,859)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
State Library Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-8

	Budgeted Amounts		Actual	Variances
			(Non-GAAP	Favorable
	Original	Final	Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	23,225	23,225	16,431	(6,794)
Charges for services	-	-	-	-
Miscellaneous	1,800	1,800	1,600	(200)
<i>Total revenues</i>	<u>25,025</u>	<u>25,025</u>	<u>18,031</u>	<u>(6,994)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	34,425	34,425	20,365	14,060
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>34,425</u>	<u>34,425</u>	<u>20,365</u>	<u>14,060</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(9,400)</u>	<u>(9,400)</u>	<u>(2,334)</u>	<u>7,066</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	9,400	9,400	-	(9,400)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>9,400</u>	<u>9,400</u>	<u>-</u>	<u>(9,400)</u>
<i>Net change in fund balance</i>	-	-	(2,334)	(2,334)
<i>Fund balance - beginning of year</i>	-	-	10,761	10,761
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,427</u>	<u>\$ 8,427</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (2,334)	
Adjustments to revenues for state operating grants accruals.			7	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			<u>\$ (2,327)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Veteran's Wall Perpetual Care Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-9

	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	1,500	1,500	1,550	50
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	1,500	1,500	1,550	50
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	2,325	2,325	330	1,995
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	2,325	2,325	330	1,995
<i>Excess (deficiency) of revenues over expenditures</i>	(825)	(825)	1,220	2,045
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	825	825	-	(825)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	825	825	-	(825)
<i>Net change in fund balance</i>	-	-	1,220	1,220
<i>Fund balance - beginning of year</i>	-	-	23,979	23,979
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 25,199	\$ 25,199
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,220	
No adjustments for revenue accruals.			-	
No adjustments for expenditures accruals.			-	
Net change in fund balance (GAAP)			\$ 1,220	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Federal Seizures Share Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-10

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable
				(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	1	1
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	1	1
<i>Net change in fund balance</i>	-	-	1	1
<i>Fund balance - beginning of year</i>	-	-	59	59
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 60	\$ 60
Net change in fund balance (non-GAAP budgetary basis)			\$ 1	
No adjustments for revenue accruals.			-	
No adjustments for expenditures accruals.			-	
Net change in fund balance (GAAP)			\$ 1	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Senior Transportation Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-11

	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	96,924	96,924	47,570	(49,354)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>185,682</u>	<u>185,682</u>	<u>122,526</u>	<u>(63,156)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	78,458	78,458	11,801	66,657
Capital outlay	-	107,224	34,206	73,018
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>78,458</u>	<u>185,682</u>	<u>46,007</u>	<u>139,675</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>107,224</u>	<u>-</u>	<u>76,519</u>	<u>76,519</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(107,224)	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(107,224)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	76,519	76,519
<i>Fund balance - beginning of year</i>	-	-	11,649	11,649
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,168</u>	<u>\$ 88,168</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 76,519	
Adjustments to revenues for state operating grant revenue accruals.			(75,768)	
No adjustments for expenditures accruals.			-	
Net change in fund balance (GAAP)			<u>\$ 751</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Capital Expenditures Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-12

	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	59,627	59,627	21,781	(37,846)
State capital grant	-	-	-	-
Investment income	-	-	3	3
Miscellaneous	56,150	56,150	-	(56,150)
<i>Total revenues</i>	<u>115,777</u>	<u>115,777</u>	<u>21,784</u>	<u>(93,993)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	143,227	171,517	106,183	65,334
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>143,227</u>	<u>171,517</u>	<u>106,183</u>	<u>65,334</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(27,450)</u>	<u>(55,740)</u>	<u>(84,399)</u>	<u>(28,659)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	2,450	(35,400)	-	35,400
Transfers in	25,000	91,140	91,140	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>27,450</u>	<u>55,740</u>	<u>91,140</u>	<u>35,400</u>
<i>Net change in fund balance</i>	-	-	6,741	6,741
<i>Fund balance - beginning of year</i>	-	-	10,976	10,976
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,717</u>	<u>\$ 17,717</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 6,741	
Adjustments to revenues for state operating grants accruals.			33,359	
Adjustments to expenditures for professional services accruals.			6,526	
Net change in fund balance (GAAP)			<u>\$ 46,626</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Morgan Street Flood Control Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-13

	Budgeted Amounts		Actual	Variances
			(Non-GAAP	Favorable
	Original	Final	Budgetary	(Unfavorable)
			Basis)	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)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	2	2
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
<i>Net change in fund balance</i>	-	-	2	2
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,349</u>	<u>1,349</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,351</u>	<u>\$ 1,351</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 2	
No adjustments for revenue accruals.			-	
No adjustments for expenditures accruals.			-	
Net change in fund balance (GAAP)			<u>\$ 2</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
R & R Emergency Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-14

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
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)	(3,125)	-	-	-
Transfers in	3,125	-	3,126	3,126
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>3,126</u>	<u>3,126</u>
<i>Net change in fund balance</i>	-	-	3,126	3,126
<i>Fund balance - beginning of year</i>	-	-	44,312	44,312
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,438</u>	<u>\$ 47,438</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 3,126	
No adjustments for revenues accruals.			-	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			<u>\$ 3,126</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Truth or Consequences
Veteran's Wall Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement B-15

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	14,200	14,200	13,797	403
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>14,200</u>	<u>14,200</u>	<u>13,797</u>	<u>403</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(14,200)</u>	<u>(14,200)</u>	<u>(13,797)</u>	<u>403</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	2,200	2,200	-	(2,200)
Transfers in	12,000	12,000	12,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>14,200</u>	<u>14,200</u>	<u>12,000</u>	<u>(2,200)</u>
<i>Net change in fund balance</i>	-	-	(1,797)	(1,797)
<i>Fund balance - beginning of year</i>	-	-	31,639	31,639
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,842</u>	<u>\$ 29,842</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,797)	
No adjustments for revenue accruals.			-	
Adjustments to expenditures for operating expenses accruals.			<u>(541)</u>	
Net change in fund balance (GAAP)			<u>\$ (2,338)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

City of Truth or Consequences

CDBG Project 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, 2013

	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	249,559	(150,441)
State operating grant	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>400,000</u>	<u>400,000</u>	<u>249,559</u>	<u>(150,441)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public Works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	400,000	400,000	1	399,999
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>400,000</u>	<u>400,000</u>	<u>1</u>	<u>399,999</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>249,558</u>	<u>249,558</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(100,001)	-	100,001
Transfers in	100,000	100,001	1	(100,000)
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>(249,559)</u>	<u>(249,559)</u>
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(249,558)</u>	<u>(249,558)</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 for revenue accruals.			-	
No adjustments for expenditures accruals.			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

Statement B-17

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	425,111	425,111	430,122	5,011
Intergovernmental				
State capital grants	-	-	1,338	1,338
Investment income	325	325	1,770	1,445
<i>Total revenues</i>	<u>425,436</u>	<u>425,436</u>	<u>433,230</u>	<u>7,794</u>
<i>Expenditures:</i>				
Current:				
General government	475	475	476	(1)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	251,862	251,862	181,862	70,000
Interest	327,526	327,526	242,526	85,000
<i>Total expenditures</i>	<u>579,863</u>	<u>579,863</u>	<u>424,864</u>	<u>154,999</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(154,427)</u>	<u>(154,427)</u>	<u>8,366</u>	<u>162,793</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	34,427	34,427	-	(34,427)
Transfers in	120,000	120,000	94,490	(25,510)
Transfers out	-	-	(140,743)	(140,743)
<i>Total other financing sources (uses)</i>	<u>154,427</u>	<u>154,427</u>	<u>(46,253)</u>	<u>(200,680)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(37,887)</u>	<u>(37,887)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,404,005</u>	<u>1,404,005</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,366,118</u>	<u>\$ 1,366,118</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (37,887)	
Adjustments to revenues for gross receipts tax accruals.			(11,670)	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			<u>\$ (49,557)</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 Position
Nonmajor Proprietary Funds
June 30, 2013

Statement C-1

	Business-Type Activities- Enterprise Funds		
	Golf Course Fund	Cemetery Fund	Total Nonmajor Enterprise Funds
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 33,378	\$ 22,216	\$ 55,594
Investments	-	-	-
Receivables			
Accounts	-	-	-
Due from other governments	673	-	673
Other	-	-	-
Inventory	-	-	-
<i>Total current assets</i>	34,051	22,216	56,267
<i>Noncurrent assets</i>			
Capital assets	1,073,079	140,082	1,213,161
Accumulated depreciation	(329,010)	(13,945)	(342,955)
<i>Total noncurrent assets</i>	744,069	126,137	870,206
<i>Total assets</i>	\$ 778,120	\$ 148,353	\$ 926,473
<i>Liabilities and net position</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 6,243	\$ 734	\$ 6,977
Accrued payroll expenses	-	-	-
Accrued interest	-	-	-
Current portion of long-term debt	-	-	-
<i>Total current liabilities</i>	6,243	734	6,977
<i>Noncurrent liabilities</i>			
Accrued compensated absences	-	-	-
Leases and notes payable	-	-	-
<i>Total noncurrent liabilities</i>	-	-	-
<i>Total liabilities</i>	6,243	734	6,977
<i>Net position</i>			
Net investment in capital assets	744,069	126,137	870,206
Unrestricted	27,808	21,482	49,290
<i>Total net position</i>	771,877	147,619	919,496
<i>Total liabilities and net position</i>	\$ 778,120	\$ 148,353	\$ 926,473

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 Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2013

Statement C-2

	Business-Type Activities- Enterprise Funds		
	Golf Course Fund	Cemetery Fund	Total Nonmajor Enterprise Funds
<i>Operating revenues</i>			
Charges for services	\$ 12,681	\$ 15,555	\$ 28,236
<i>Total operating revenues</i>	12,681	15,555	28,236
<i>Operating expenses</i>			
General operating	62,312	10,265	72,577
Depreciation	18,173	4,853	23,026
<i>Total operating expenses</i>	80,485	15,118	95,603
<i>Operating income (loss)</i>	(67,804)	437	(67,367)
<i>Non-operating revenues (expenses)</i>			
Investment income	7	-	7
Gain (loss) on disposition of asset	(13,878)	-	(13,878)
<i>Total non-operating revenues (expenses)</i>	(13,871)	-	(13,871)
<i>Income (loss) before contributions and transfers</i>	(81,675)	437	(81,238)
Government contributions	-	-	-
Transfers in	177,026	-	177,026
Transfers out	-	-	-
<i>Change in net position</i>	95,351	437	95,788
<i>Net position - beginning</i>	676,526	147,182	823,708
<i>Net position - end of year</i>	\$ 771,877	\$ 147,619	\$ 919,496

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, 2013

Statement C-3

	Business-Type Activities- Enterprise Funds		
	Golf Course Fund	Cemetery Fund	Total Nonmajor Enterprise Funds
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 12,008	\$ 15,555	\$ 27,563
Cash payments to employees for services	-	-	-
Cash payments to suppliers for goods and services	(57,585)	(9,796)	(67,381)
<i>Net cash provided (used) by operating activities</i>	<u>(45,577)</u>	<u>5,759</u>	<u>(39,818)</u>
<i>Cash flows from noncapital financing activities</i>			
Government contributions	-	-	-
Transfers	66,777	-	66,777
<i>Net cash provided (used) by noncapital financing activities</i>	<u>66,777</u>	<u>-</u>	<u>66,777</u>
<i>Cash flows from investing activities</i>			
Acquisition of capital assets	-	-	-
Interest on investments	7	-	7
<i>Net cash provided by investing activities</i>	<u>7</u>	<u>-</u>	<u>7</u>
<i>Cash flows from capital and related financing activities</i>			
Interest paid	-	-	-
Principal payments on bonds, loans and notes payable	-	-	-
<i>Net cash (used) by capital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net increase in cash and cash equivalents</i>	21,207	5,759	26,966
<i>Cash and cash equivalents - beginning of year</i>	12,171	16,457	28,628
<i>Cash and cash equivalents - end of year</i>	<u>\$ 33,378</u>	<u>\$ 22,216</u>	<u>\$ 55,594</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (67,804)	\$ 437	(67,367)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	18,173	4,853	23,026
Changes in assets and liabilities			
Receivables	(673)	-	(673)
Inventory	-	-	-
Accounts payable	4,727	469	5,196
Accrued payroll expenses	-	-	-
Accrued compensated absences	-	-	-
Meter deposits	-	-	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ (45,577)</u>	<u>\$ 5,759</u>	<u>\$ (39,818)</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 Position
Budget (Non-GAAP Budgetary Basis) and Actual
Joint Utility Fund
For the Year Ended June 30, 2013

Statement D-1

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 10,081,320	\$ 10,081,320	\$ 10,003,033	\$ (78,287)
<i>Total operating revenues</i>	<u>10,081,320</u>	<u>10,081,320</u>	<u>10,003,033</u>	<u>(78,287)</u>
<i>Operating expenses:</i>				
General operating	7,873,089	10,268,249	9,896,072	372,177
Personnel services	1,692,301	2,125,938	1,661,781	464,157
<i>Total operating expenses</i>	<u>9,565,390</u>	<u>12,394,187</u>	<u>11,557,853</u>	<u>836,334</u>
<i>Operating income (loss)</i>	<u>515,930</u>	<u>(2,312,867)</u>	<u>(1,554,820)</u>	<u>758,047</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	(153,268)	(130,093)	(177,230)	(47,137)
Interest income	532	532	15,709	15,177
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>(152,736)</u>	<u>(129,561)</u>	<u>(161,521)</u>	<u>(31,960)</u>
<i>Income (loss) before contributions and transfers</i>	<u>363,194</u>	<u>(2,442,428)</u>	<u>(1,716,341)</u>	<u>726,087</u>
Government contributions	1,024,000	1,787,713	3,109,450	1,321,737
Transfers	1,066,780	1,144,313	(1,978,667)	(3,122,980)
<i>Change in net position</i>	<u>(2,453,974)</u>	<u>(489,598)</u>	<u>(585,558)</u>	<u>(1,075,156)</u>
Designated cash	2,453,974	489,598	-	(489,598)
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>7,220,849</u>	<u>7,220,849</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,635,291</u>	<u>\$ 6,635,291</u>
Change in net position (non-GAAP budgetary basis)			\$ (585,558)	
Adjustments to revenues for charges for services accruals.			304,217	
Adjustments to expenses for salaries and general operating expense accruals.			1,470,665	
Depreciation			<u>250,048</u>	
Change in net position (GAAP)			<u>\$ 1,439,372</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 Position
Budget (Non-GAAP Budgetary Basis) and Actual
Airport Fund
For the Year Ended June 30, 2013

Statement D-2

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 209,600	\$ 209,600	238,571	\$ 28,971
<i>Total operating revenues</i>	<u>209,600</u>	<u>209,600</u>	<u>238,571</u>	<u>28,971</u>
<i>Operating expenses:</i>				
General operating	230,970	1,011,592	666,710	344,882
Personnel services	90,230	74,751	53,194	21,557
<i>Total operating expenses</i>	<u>321,200</u>	<u>1,086,343</u>	<u>719,904</u>	<u>366,439</u>
<i>Operating income (loss)</i>	<u>(111,600)</u>	<u>(876,743)</u>	<u>(481,333)</u>	<u>395,410</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Interest income	-	-	18	18
Gross receipts taxes	-	-	395,024	395,024
Miscellaneous income	-	-	4,604	4,604
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>399,646</u>	<u>399,646</u>
<i>Income (loss) before contributions and transfers</i>	<u>(111,600)</u>	<u>(876,743)</u>	<u>(81,687)</u>	<u>795,056</u>
Government contributions	-	618,702	-	(618,702)
Transfers	98,945	241,883	62,279	(179,604)
<i>Change in net position</i>	<u>12,655</u>	<u>16,158</u>	<u>(19,408)</u>	<u>(3,250)</u>
Designated cash	<u>(12,655)</u>	<u>(16,158)</u>	<u>-</u>	<u>(16,158)</u>
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>119,687</u>	<u>119,687</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,279</u>	<u>\$ 100,279</u>
Change in net position (non-GAAP budgetary basis)			\$ (19,408)	
Adjustments to revenues for transfers.			283,571	
Adjustments to expenses for general operating expense accruals.			(160,168)	
Depreciation			<u>78,029</u>	
Change in net position (GAAP)			<u>\$ 182,024</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-3

City of Truth or Consequences

Statement of Revenues, Expenses and Changes in Net Position

Budget (Non-GAAP Budgetary Basis) and Actual

Solid Waste Fund

For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 69,000	\$ 69,000	\$ 94,286	\$ 25,286
<i>Total operating revenues</i>	<u>69,000</u>	<u>69,000</u>	<u>94,286</u>	<u>25,286</u>
<i>Operating expenses:</i>				
General operating	72,500	160,000	136,172	23,828
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>72,500</u>	<u>160,000</u>	<u>136,172</u>	<u>23,828</u>
<i>Operating income (loss)</i>	<u>(3,500)</u>	<u>(91,000)</u>	<u>(41,886)</u>	<u>49,114</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	(10,500)	(10,835)	(4,721)	6,114
Interest income	44	44	1,797	1,753
Gross receipts taxes	-	-	1,332	1,332
Miscellaneous income	2,000	570,978	-	(570,978)
<i>Total non-operating revenues (expenses)</i>	<u>(8,456)</u>	<u>560,187</u>	<u>(1,592)</u>	<u>(561,779)</u>
<i>Income (loss) before contributions and transfers</i>	<u>(11,956)</u>	<u>469,187</u>	<u>(43,478)</u>	<u>(512,665)</u>
Transfers	-	77,000	76,958	(42)
<i>Change in net position</i>	<u>11,956</u>	<u>(546,187)</u>	<u>33,480</u>	<u>(512,707)</u>
Designated cash	<u>(11,956)</u>	<u>546,187</u>	<u>-</u>	<u>(546,187)</u>
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>618,420</u>	<u>618,420</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651,900</u>	<u>\$ 651,900</u>
Change in net position (non-GAAP budgetary basis)			\$ 33,480	
Adjustments to revenues for charges for services accruals.			923,280	
Adjustments to expenses for general operating expenses.			(115,741)	
Depreciation			<u>106,600</u>	
Change in net position (GAAP)			<u>\$ 947,619</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 Position
Budget (Non-GAAP Budgetary Basis) and Actual
Golf Course Fund
For the Year Ended June 30, 2013

Statement D-4

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 11,530	\$ 11,530	\$ 12,008	\$ 478
<i>Total operating revenues</i>	<u>11,530</u>	<u>11,530</u>	<u>12,008</u>	<u>478</u>
<i>Operating expenses:</i>				
General operating	50,975	73,242	57,585	15,657
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>50,975</u>	<u>73,242</u>	<u>57,585</u>	<u>15,657</u>
<i>Operating income (loss)</i>	<u>(39,445)</u>	<u>(61,712)</u>	<u>(45,577)</u>	<u>16,135</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	-	-	7	7
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
<i>Income (loss) before contributions and transfers</i>	<u>(39,445)</u>	<u>(61,712)</u>	<u>(45,584)</u>	<u>16,128</u>
Transfers	45,000	67,267	66,777	(490)
<i>Change in net position</i>	<u>(5,555)</u>	<u>(5,555)</u>	<u>21,207</u>	<u>15,652</u>
Designated cash	5,555	5,555	-	5,555
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>12,171</u>	<u>12,171</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,378</u>	<u>\$ 33,378</u>
Change in net position (non-GAAP budgetary basis)			\$ 21,207	
Adjustments to revenues for fees and gross receipts taxes.			97,044	
Adjustments to expenditures for general operating expense accruals.			(41,073)	
Depreciation			<u>18,173</u>	
Change in net position (GAAP)			<u>\$ 95,351</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-5

City of Truth or Consequences

Statement of Revenues, Expenses and Changes in Net Position

Budget (Non-GAAP Budgetary Basis) and Actual

Cemetery Fund

For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 16,600	\$ 16,600	\$ 15,555	\$ (1,045)
<i>Total operating revenues</i>	<u>16,600</u>	<u>16,600</u>	<u>15,555</u>	<u>(1,045)</u>
<i>Operating expenses:</i>				
General operating	14,000	14,000	9,796	4,204
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>14,000</u>	<u>14,000</u>	<u>9,796</u>	<u>4,204</u>
<i>Operating income (loss)</i>	<u>2,600</u>	<u>2,600</u>	<u>5,759</u>	<u>3,159</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>
<i>Income (loss) before contributions and transfers</i>	<u>2,600</u>	<u>2,600</u>	<u>5,759</u>	<u>3,159</u>
Transfers	-	-	-	-
<i>Change in net position</i>	<u>(2,600)</u>	<u>(2,600)</u>	<u>5,759</u>	<u>3,159</u>
Designated cash	<u>2,600</u>	<u>2,600</u>	-	<u>2,600</u>
<i>Total net position, beginning of year</i>	<u>2,600</u>	<u>2,600</u>	<u>16,457</u>	<u>21,657</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,216</u>	<u>\$ 27,416</u>
Change in net position (non-GAAP budgetary basis)			\$ 5,759	
No adjustments for revenues accruals.			-	
Adjustments to expenses for general operating expenses accruals.			(10,175)	
Depreciation			<u>4,853</u>	
Change in net position (GAAP)			<u>\$ 437</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Deposit and Investment Accounts
June 30, 2013

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	Demand Account	\$ 941,777	\$ 1,925	\$ 100	\$ 943,602
PD Bond Account	Demand Account	1,100	-	-	1,100
Pledge State Tax	Demand Account	145,726	-	-	145,726
State Fire Fund	Demand Account	104,748	-	-	104,748
Municipal Recreation	Demand Account	54,996	-	-	54,996
Court Cost	Demand Account	4,593	166	-	4,759
Law Enforcement	Demand Account	7,559	-	-	7,559
Police Department Donation	Demand Account	10,118	-	-	10,118
PD Confidential Fund	Demand Account	928	-	-	928
PD GRT Fund	Demand Account	113,334	-	-	113,334
Lodgers Tax	Demand Account	132,106	295	-	132,401
Special Appropriations Effluent Water	Demand Account	284,497	-	-	284,497
Joint Utility Income	Demand Account	2,890,849	25,116	627	2,915,338
Solid Waste Disposal	Demand Account	651,857	44	-	651,901
Golf Course	Demand Account	33,378	-	-	33,378
Airport Hanger	Demand Account	41,176	-	-	41,176
Street Renovation	Demand Account	150,891	-	4,705	146,186
Electrical Construction	Demand Account	114,834	-	-	114,834
Veteran's Wall	Demand Account	29,842	-	-	29,842
DWI HB108	Demand Account	4,017	-	-	4,017
DWI Fund	Demand Account	38,023	-	-	38,023
DWI-UA Screening Program	Demand Account	1,322	-	-	1,322
Senior Transportation	Demand Account	88,167	-	-	88,167
Veteran's Wall Perpetual Care	Demand Account	25,199	-	-	25,199
C I General	Demand Account	17,717	-	-	17,717
C I Joint Utility	Demand Account	729,667	-	-	729,667
DOT Broadway/Date Repaving	Demand Account	1,350	-	-	1,350
Internal Services	Demand Account	62,023	1,293	-	63,316
JT Utility Emergency Repair Fund	Demand Account	47,438	-	-	47,438
FAA Project/Mun Airport	Demand Account	58,803	-	-	58,803
R & R Water Fund	Demand Account	10,683	-	-	10,683
CDBG Comprehensive	Demand Account	2,119	-	-	2,119
Capital Improvement Reserves	Time Account	745,572	-	-	745,572
Emergency Repair Reserves	Time Account	56,750	-	-	56,750
Wastewater Repair Reserves	Time Account	67,240	-	-	67,240
Electrical Construction Reserves	Time Account	50,416	-	-	50,416
Federal Seizure Share	Demand Account	60	-	-	60
Payroll Revolving Fund	Demand Account	86,466	-	79,750	6,716
Total Bank of the Southwest		<u>7,807,341</u>	<u>28,839</u>	<u>85,182</u>	<u>7,750,997</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Deposit and Investment Accounts
June 30, 2013

Schedule I
Page 2 of 2

Bank Name/ Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Totals
Compass Bank					
Cemetery Fund	Demand account	\$ 22,216	\$ -	\$ -	\$ 22,216
Library Fund	Demand account	7,140	1,286	-	8,426
Pledged State	Certificate of Deposit	532,176	-	-	532,176
R & R Sewer	Certificate of Deposit	142,478	-	-	142,478
R & R Water	Certificate of Deposit	125,901	-	-	125,901
Emergency Repair Reserves	Certificate of Deposit	80,774	-	-	80,774
Waste Water Reserve	Certificate of Deposit	101,127	-	-	101,127
Electrical Construction Reserve	Certificate of Deposit	81,940	-	-	81,940
Capital Improvement Reserve	Certificate of Deposit	1,011,240	-	-	1,011,240
Total Compass Bank		<u>2,104,992</u>	<u>1,286</u>	<u>-</u>	<u>2,106,278</u>
Bank of New York Mellon					
NMFA Police Building	U.S. Treasury Mutual Fund	* 15,191	-	-	15,191
1996 Refunding GRT and Improvement Bond	U.S. Treasury Mutual Fund	* 265,617	-	-	265,617
NMFA Upgrade Low Voltage Feeder Line	U.S. Treasury Mutual Fund	* 126,024	-	-	126,024
NMFA Street Improvements	U.S. Treasury Mutual Fund	* 151,029	-	-	151,029
NMFA Water Tanks	U.S. Treasury Mutual Fund	* 8,305	-	-	8,305
NMFA Street Improvements	U.S. Treasury Mutual Fund	* 493,012	-	-	493,012
NMFA Fire Pumper	U.S. Treasury Mutual Fund	* 226,405	-	-	226,405
NMFA 1996 Refunding- prg funds	U.S. Treasury Mutual Fund	* 258,884	-	-	258,884
NMFA Refunding 95, 96, 98	U.S. Treasury Mutual Fund	* 91,415	-	-	91,415
Total Bank of New York Mellon		<u>1,635,882</u>	<u>-</u>	<u>-</u>	<u>1,635,882</u>
New Mexico Finance Authority					
NMFA Police Building	State Treasurer Debt Service	* 6,066	-	-	6,066
NMFA 1996 Refunding GRT and Improvement Bond	State Treasurer Debt Service	* 45,323	-	-	45,323
NMFA Storage Tanks	State Treasurer Debt Service	* 28,681	-	-	28,681
NMFA Upgrade Low Voltage Feeder Line	State Treasurer Debt Service	* 45,347	-	-	45,347
NMFA Water Tanks	State Treasurer Debt Service	* 1,382	-	-	1,382
NMFA Refunding 95, 96, 98	State Treasurer Debt Service	* 15,204	-	-	15,204
NMFA Street Improvements	State Treasurer Debt Service	* 26,195	-	-	26,195
Total New Mexico Finance Authority		<u>168,198</u>	<u>-</u>	<u>-</u>	<u>168,198</u>
Total Deposits and Investments		<u>\$11,716,413</u>	<u>\$30,125</u>	<u>\$ 85,182</u>	<u>\$11,661,356</u>
Add: Petty cash					890
Less: Restricted cash and cash equivalents per Exhibit A-1					(2,724,059)
Less: Investments per Exhibit A-1					<u>(2,075,636)</u>
Total unrestricted cash and cash equivalents per Exhibit A-1					<u>\$ 6,862,551</u>

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

See Independent Auditors' Report.

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STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2013

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2013	Location of Safekeeper
Bank of the Southwest					
	GNMA II Pool #008466	7/20/2024		\$ 31,925	Federal Home Loan Bank, Dallas TX
	GNMA II Pool #0080484	1/20/2031		16,668	Federal Home Loan Bank, Dallas TX
	Letter of Credit	9/30/2013		300,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	6/4/2014		1,300,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	9/20/2013		1,150,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	12/2/2013		950,000	Federal Home Loan Bank, Dallas TX
	Total Bank of the Southwest			<u>3,748,593</u>	
Compass Bank					
	FNMA	10/1/2017	31410GWR0	338,585	Federal Home Loan Bank, Irving TX
	FNMA	10/1/2017	31410GWRO	42,357	Federal Home Loan Bank, Irving TX
	FHLMC	10/15/2023	3137A3NJ4	8,934	Federal Home Loan Bank, Irving TX
	FNMA	1/25/2025	31398GLY3	113,114	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2025	31371MF93	7,491	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	124,782	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	3140KBG8	78,564	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2028	31410KBG8	81,926	Federal Home Loan Bank, Irving TX
	GNMA	5/15/2029	36213M5Q7	57,606	Federal Home Loan Bank, Irving TX
	FHLMC	12/1/2029	3128M5X54	44,571	Federal Home Loan Bank, Irving TX
	FNMA	11/1/2031	31388YET5	116,266	Federal Home Loan Bank, Irving TX
	FNMA	11/1/2032	31391T2G2	357,879	Federal Home Loan Bank, Irving TX
	FNMA	3/1/2033	31400SFX2	39,102	Federal Home Loan Bank, Irving TX
	FNMA	5/1/2033	31401MKT7	192,888	Federal Home Loan Bank, Irving TX
	FHLMC	10/1/2033	31349SC92	107,538	Federal Home Loan Bank, Irving TX
	FHLMC	6/1/2035	3128M5TT7	24,074	Federal Home Loan Bank, Irving TX
	FNMA	8/1/2035	31407CK97	98,982	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2035	31403CZ79	44,164	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2035	31300LJA4	14,032	Federal Home Loan Bank, Irving TX
	FNMA	7/1/2036	31410DWD8	234,651	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2036	31407RLD4	100,007	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2036	31407RLD4	20,626	Federal Home Loan Bank, Irving TX
	FNMA	9/258/2036	31396KM33	9,425	Federal Home Loan Bank, Irving TX
	FNMA	9/25/2036	31396KM33	82,475	Federal Home Loan Bank, Irving TX
	FNMA	1/1/2037	3128S5JZ8	61,516	Federal Home Loan Bank, Irving TX
	FNMA	3/1/2037	3138EG5Y6	31,548	Federal Home Loan Bank, Irving TX
	GNR	7/20/2040	38377TMQ1	65,428	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2040	3138A5CK6	40,451	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2041	3138E06L8	122,709	Federal Home Loan Bank, Irving TX
	FNMA	12/15/2046	36200KGJ0	140,171	Federal Home Loan Bank, Irving TX
	Total Compass Bank			<u>2,801,862</u>	
	Total Pledged Collateral			<u>\$ 6,550,455</u>	

See Independent Auditors' Report.

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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***

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The United States Office of Management and Budget and
The Truth or Consequences City Commission Members
City of Truth or Consequences
Truth or Consequences, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund and major special revenue fund of the City of Truth or Consequences (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated November 25, 2013. Our report includes a reference to other auditors who audited the financial statements of the Truth or Consequences Housing Authority, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 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 deficiency described in the accompanying schedule of findings and questioned costs as item FS 2012-03 to be a material weakness.

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 questioned costs as items FS 2009-02, FS 2011-01, FS 2013-001, and FS 2013-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2.

The City's Responses to Findings

The City's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and the results of other auditors, and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 25, 2013

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The United States Office of Management and Budget and
The Truth or Consequences City Commission Members
The City of Truth or Consequences
Truth or Consequences, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Truth or Consequences' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 25, 2013

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Funding Source/Grantor or Contact Name	CFDA Number	Federal Grant Number	Expenditures
U.S Department of Justice Bureau of Justice Assistance			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SB-B9-3051	\$ 4,230
U.S. Department of Housing & Urban Development Passed Through State of New Mexico, Department of Finance & Administration			
Community Development Block Grant	14.228	11-C-NR-I-01-G-41 (1)	377,737
U.S. Department of Transportation			
Airport Improvements Program	20.106	TCS-12-03 (1)	300,655
Energy, Minerals and Natural Resources Department			
Healing Waters Trails Project	20.219	10-521-0551-0228	<u>55,140</u>
Total Federal Financial Assistance			<u><u>\$ 737,762</u></u>

(1) Denotes Major Federal Financial Assistance Program

See accompanying independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

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

2. Subrecipients

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

3. Non-Cash Assistance and Federal Loan (or Guarantees)

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

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 737,762
Total expenditures funded by other sources	<u>14,429,726</u>
Total expenditures	<u><u>\$ 15,167,488</u></u>

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 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? | No |

Federal Awards:

- | | | | | | | | | |
|---|--|----------------|-----------------|--------|-----------------------------------|--------|------------------------------|--|
| 1. Internal control over major programs: | | | | | | | | |
| a. Material weaknesses identified? | | No | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | | No | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | | Unmodified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | | No | | | | | | |
| 4. Identification of major programs: | | | | | | | | |
| | <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</td> <td style="text-align: center; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">14.228</td> <td style="text-align: center;">Community Development Block Grant</td> </tr> <tr> <td style="text-align: center;">20.106</td> <td style="text-align: center;">Airport Improvements Program</td> </tr> </table> | CFDA
Number | Federal Program | 14.228 | Community Development Block Grant | 20.106 | Airport Improvements Program | |
| CFDA
Number | Federal Program | | | | | | | |
| 14.228 | Community Development Block Grant | | | | | | | |
| 20.106 | Airport Improvements Program | | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | | \$300,000 | | | | | | |
| 6. Auditee qualified as a low-risk auditee under the requirements set forth by OMB Circular A-133 section 530? | | No | | | | | | |

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

FS 2009-01	Public Money Deposits	Resolved
FS 2009-02	Capital Assets- Inventory Control Number	Repeated
FS 2010-01	Financial Statements and Disclosures	Resolved
FS 2011-01	Design and Deficiencies in Internal Control over Financial Reporting	Repeated and Modified
FS 2012-01	Utility Receivables	Resolved
FS 2012-02	Budget Adjustments	Resolved
FS 2012-03	Capital Asset Accounting System and Disposition	Repeated and Modified
FS 2012-04	Improper Gross Receipts Tax Distribution	Resolved
FS 2012-05	Audit Information Release	Resolved

Component Unit Finding

FS 2012-1	W-2 Preparation	Resolved
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Section III – Findings - Financial Statement Audit- Primary Government

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 will implement new accounting procedures for fixed assets per the developed action plan.

FS 2011-01 Design Deficiencies in Internal Control over Financial Reporting (Significant Deficiency)

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:

- Manual journal entries are not being consistently reviewed by someone other than the individual entering the journal entry.
- 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: *The Codification of Statements on Auditing Standards (SAS AU)* paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. In addition, the SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 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 Finance Director will completely review the noted material weaknesses per the above audit finding and appropriate corrective action will be implemented. The City will review the possibility of contracting a third party CPA firm to help develop internal controls.

FS 2012-03 Capital Asset Accounting System and Dispositions (Material Weakness)

Condition: During testwork of capital assets we noted the following:

- The City was incorrectly calculating depreciation as a full year on new assets put in service during fiscal year ending June 30, 2013. The City's policy is to calculate depreciation based on the month the new asset was placed in service.
- The City incorrectly listed golf carts on the asset listing which were no longer owned by the City and had to be removed in the current year. Cost value of golf carts for governmental capital assets was \$62,340 with accumulated depreciation of \$52,979. Cost value of golf carts for proprietary capital assets was \$93,030 with accumulated depreciation of \$93,030.
- The City incorrectly listed two trucks in the Proprietary capital assets with a cost value of \$4,500 and accumulated depreciation of \$4,500. These capital assets were sold at some point in the prior years and are no longer capital assets of the City.
- The City incorrectly calculated the cost value of three new governmental capital assets. The new assets had to be adjusted down by \$5,923.
- The City incorrectly recorded a new capital asset vehicle in the governmental capital assets in the amount of \$15,846.
- The City was not tracking construction in progress projects to identify items that were finished as well as additional construction in progress for the current year.
- The City is not completing an annual inventory of movable chattels and equipment on the inventory listing.

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. In addition according to State Audit Rule 2.2.2.10 Y Capital Asset Inventory: (2) Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

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.

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 will implement new accounting procedures for capital assets per the developed action plan.

FS 2013-001- Adjustments to Client Provided Information (Significant Deficiency)

Condition: During the performance of audit procedures relating to accounts receivable, the following was noted:

- The management of the City prepared an accounts receivable listing and the listing improperly included \$117,686, and excluded \$109,752.

Criteria: According to the Auditing Standards Board Statement on Auditing Standards (SAS) No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

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

Cause: The City did not include the amounts received from Lodger's Tax and improperly identified an accounts receivable balance when services were rendered subsequent to year end.

Auditors' Recommendations: We recommend 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 Finance Director will completely review the noted material weaknesses per the above audit finding and appropriate corrective action will be implemented. The City will review the possibility of contracting a third party CPA firm to help develop internal controls. In addition, monthly accounts receivable reports will be generated and reviewed. Appropriate signature will be on the monthly accounts receivable reports for proof of accuracy and review.

FS 2013-002- Inventory Control (Significant Deficiency)

Condition: During walk-through and observation procedures performed over locations in which inventory of the City is held, it was noted that controls over the use of inventory are very weak and in some cases non-existent. We also noted there is no procedure in place in regards to consuming inventory on hand or checking out tools owned by the City for use.

Criteria: Sections 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

Effect: Without proper inventory controls, the City cannot verify what inventory they have on hand or is available for use. In addition, inventory may be misappropriated without management knowledge.

Cause: The City has not implemented and trained individuals on proper inventory management, nor is an inventory software system being used to the full extent.

Auditors' Recommendations: We recommend the City develop and implement policies and procedures designed to prevent or detect possible misstatements in its inventory as well as train individuals in the responsible departments the proper maintenance and handling of inventory.

Agency's Response: The City will implement new accounting procedures for inventory per the developed action plan.

Section IV– Findings – Component Unit

2013-1 Contracting for Audit Services (Other Matter)

Condition: The recommendation for audit services and the audit contract were submitted to the New Mexico State Auditor for his approval on June 4, 2013.

Criteria: Subsection G, paragraph 6 of 2.2.2.8 NMAC, 2013, commonly called the Audit Rule, requires housing authority's to submit the recommendation for audit services and the signed audit contract by May 15, 2013.

Effect: Lack of an audit contract could delay the audit process and jeopardize timely financial reporting by the entity. In addition, 2.2.2 NMAC regulations have been violated.

Cause: The Finance Director had health problems which delayed the processing of the recommendation and contract.

Recommendation: We recommend that the Authority comply with 2.2.2 NMAC submission deadlines when submitting future contracts.

Agency Response: The submission of the audit recommendation and contract has been calendared, and in the future, the 2.2.2 NMAC deadlines will be met.

2013-2 Inter-fund Transaction Reconciliation (Other Matter)

Condition: The Authority's inter-fund receivables and payables differed by \$26,199.

Criteria: Generally accepted accounting principles require that inter-fund receivables and payables balance.

Effect: There is an increased likelihood that the financial statements may be misstated, or, in the alternative, that financial statement amounts may be misclassified.

Cause: The Authority did not reconcile inter-fund receivables and payables at yearend. Certain payables had been erroneously recorded as accounts payable rather than inter-fund payables, causing an imbalance in the accounts.

Recommendation: We recommend that the Authority reconcile inter-fund transactions on a monthly basis, and that supervisory personnel review the balances monthly to ensure that the amounts balance.

Agency Response: The recommendation will be adopted.

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STATE OF NEW MEXICO
City of Truth or Consequences
Other Disclosures
June 30, 2013

Exit Conference

An exit conference was held on November 25, 2013. In attendance were the following:

Representing the City of Truth or Consequences:

Leo Silva
Sandra Whitehead
Juan Fuentes

Finance Director (fiscal year 2013-2014)
City Commissioner/Mayor Pro Tem
City Manager

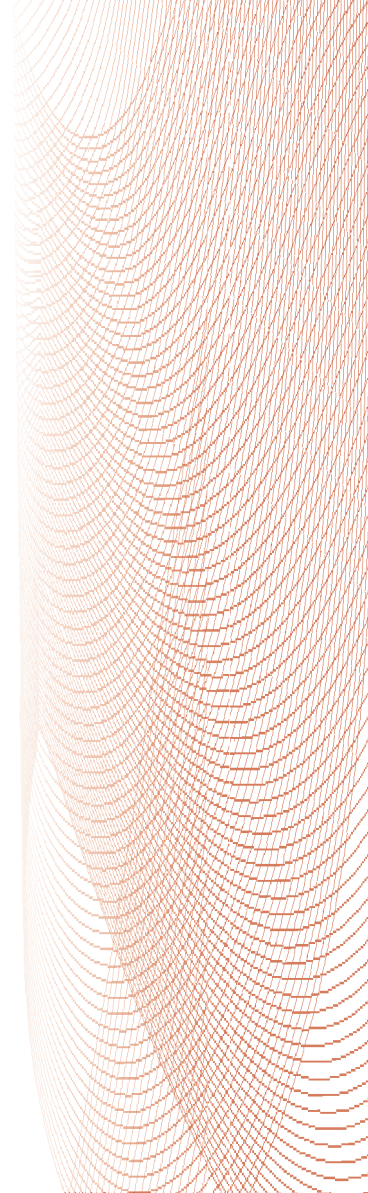
Representing Accounting & Consulting Group, LLP:

Ray Roberts, CPA

Managing Partner

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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