

*State of New Mexico*  
*City of Truth or Consequences*  
*Annual Financial Report*  
*June 30, 2014*



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Table of Contents  
June 30, 2014

	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Table of Contents		4-5
Official Roster		7
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		10-11
<b>BASIC FINANCIAL STATEMENTS</b>		
Government-wide Financial Statements		
Statement of Net Position	A-1	14-15
Statement of Activities	A-2	16-17
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	18
Reconciliation of the Balance Sheet to the Statement of Net Position		19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	B-2	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual General Fund	C-1	23
Statement of Net Position-Proprietary Funds	D-1	24-25
Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds	D-2	26-27
Statement of Cash Flows –Proprietary Funds	D-3	28-29
NOTES TO THE FINANCIAL STATEMENTS		30-61
<b>SUPPLEMENTARY INFORMATION</b>		
Nonmajor Governmental and Proprietary Fund Descriptions		64-65
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</b>		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	66-69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	70-73
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Fire Protection Special Revenue Fund	B-1	74
Recreation Fund Special Revenue Fund	B-2	75
Correction Fees Special Revenue Fund	B-3	76
Law Enforcement Protection Special Revenue Fund	B-4	77
Police Department GRT Fund Special Revenue Fund	B-5	78
Lodger's Tax Special Revenue Fund	B-6	79
Municipal Streets Fund Special Revenue Fund	B-7	80
DWI Grant Special Revenue Fund	B-8	81
State Library Special Revenue Fund	B-9	82
Veteran's Wall Perpetual Care Special Revenue Fund	B-10	83

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Table of Contents  
June 30, 2014

	<u>Statement/Schedule</u>	<u>Page</u>
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (CONTINUED)</b>		
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual -continued		
Federal Seizures Share Special Revenue Fund	B-11	84
Senior Transportation Capital Projects Fund	B-12	85
Capital Expenditures Capital Projects Fund	B-13	86
Golf Course Improvements Capital Projects Fund	B-14	87
R & R Emergency Capital Projects Fund	B-15	88
Veteran’s Wall Capital Projects Fund	B-16	89
CDBG Project Capital Projects Fund	B-17	90
Debt Service Fund	B-18	91
Combining Statement of Net Position-Nonmajor Proprietary Funds	C-1	92
Combining Statement of Revenues, Expenses and Changes in Net Position-Nonmajor Proprietary Funds	C-2	93
Combining Statement of Cash Flows –Nonmajor Proprietary Funds	C-3	95
Statement of Revenues, Expenses and Changes in Net Position Budget (Non-GAAP Budgetary Basis) and Actual -		
Joint Utility Fund	D-1	97
Airport Fund	D-2	98
Solid Waste Fund	D-3	99
Golf Course Fund	D-4	100
Cemetery Fund	D-5	101
<b>SUPPORTING SCHEDULES</b>		
Schedule of Deposit and Investment Accounts	I	104-105
Schedule of Collateral Pledged By Depository for Public Funds	II	107
<b>COMPLIANCE SECTION</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		110-111
Schedule of Findings and Questioned Costs	III	112-119
<b>OTHER DISCLOSURE</b>		121

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**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Official Roster  
June 30, 2014

<u>Name</u>	<u>City Commission</u>	<u>Title</u>
Sandra Whitehead		City Commissioner/Mayor
Steven Green		City Commissioner/Mayor Pro Tem
Kathy Clark		City Commissioner
Jeff Richter		City Commissioner
Ruben Olivas		City Commissioner

**Administration**

Juan Fuentes		City Manager
Leo Silva		Finance Director (October 2013 to July 2014)
Judy Harris		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		Executive Director
Mario Portillo		Finance Director

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**FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas  
New Mexico State Auditor  
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 of the City of Truth or Consequences (the City), as of and for the year ended June 30, 2014, 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, each nonmajor enterprise fund, and 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, 2014, 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 14 percent, 16 percent, and 11 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 entity'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 entity'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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 respects, the respective financial position of each nonmajor governmental fund and enterprise fund of the City as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the proprietary funds, the internal service fund, the major debt service fund, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing 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 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 financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section and Supporting Schedules I through II required by Section 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we 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 20, 2014 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 20, 2014

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Statement of Net Position  
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 1,914,183	\$ 3,811,628	\$ 5,725,811	\$ 897,097
Investments	584,571	1,550,655	2,135,226	-
Receivables:				
Property taxes	31,970	-	31,970	-
Other taxes	655,060	-	655,060	-
Utility receivables, net	-	1,114,987	1,114,987	-
Due from other governments	86,760	14,031	100,791	168,089
Miscellaneous receivables	57,470	-	57,470	-
Due from tenants, net of allowance of \$609	-	-	-	4,480
Prepaid expenses	-	-	-	26,212
Inventory	113,864	472,944	586,808	3,655
<b>Total Current Assets</b>	<b>3,443,878</b>	<b>6,964,245</b>	<b>10,408,123</b>	<b>1,099,533</b>
Noncurrent Assets				
Restricted cash and cash equivalents	257,537	1,325,423	1,582,960	222,872
Restricted investments	536,464	133,230	669,694	-
Capital assets	20,303,608	22,151,113	42,454,721	8,511,310
Less: accumulated depreciation	(10,254,955)	(11,428,239)	(21,683,194)	(5,264,139)
<b>Total Noncurrent Assets</b>	<b>10,842,654</b>	<b>12,181,527</b>	<b>23,024,181</b>	<b>3,470,043</b>
<b>Total Assets</b>	<b>\$ 14,286,532</b>	<b>\$ 19,145,772</b>	<b>\$ 33,432,304</b>	<b>\$ 4,569,576</b>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities, deferred inflows of resources, and net position</b>				
Current Liabilities				
Accounts payable	\$ 103,828	\$ 466,541	\$ 570,369	\$ 25,341
Accrued payroll	124,355	56,976	181,331	11,735
Accrued compensated absences	159,621	80,423	240,044	-
Customer deposits	-	192,152	192,152	22,471
Accrued interest	16,730	20,439	37,169	3,768
Tenant deposits	-	-	-	33,915
FSS deposits	-	-	-	56,596
Current portion of long-term debt	279,923	395,421	675,344	35,191
Total Current Liabilities	684,457	1,211,952	1,896,409	189,017
Noncurrent Liabilities				
Accrued compensated absences	50,314	11,638	61,952	24,004
Accrued landfill closure costs	-	634,302	634,302	-
Bonds payable	-	1,025,000	1,025,000	-
Notes payable	4,105,060	3,497,390	7,602,450	921,881
Total Noncurrent Liabilities	4,155,374	5,168,330	9,323,704	945,885
Total Liabilities	4,839,831	6,380,282	11,220,113	1,134,902
Deferred inflows of resources				
Unavailable revenue - grants	-	96,000	96,000	2,311
Total deferred inflows of resources	-	96,000	96,000	2,311
<b>Net Position</b>				
Net investment in capital assets	5,663,670	5,805,063	11,468,733	2,290,099
Restricted for:				
Debt service	1,488,359	1,458,653	2,947,012	-
Capital projects	239,219	-	239,219	-
Special revenue	938,786	-	938,786	-
Housing assistance payments	-	-	-	122,401
Repair and replacement	-	-	-	207
Taxes and insurance payments	-	-	-	3,479
Unrestricted	1,116,667	5,405,774	6,522,441	1,016,177
Total Net Position	9,446,701	12,669,490	22,116,191	3,432,363
Total Liabilities and Net Position	\$ 14,286,532	\$ 19,145,772	\$ 33,432,304	\$ 4,569,576

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Statement of Activities  
For the Year Ended June 30, 2014

<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>
<b>Primary Government</b>				
General government	\$ 1,844,188	\$ 165,128	\$ 578,858	\$ 2,607
Public safety	1,704,493	50,291	272,092	-
Public works	2,138,075	-	39,804	31,393
Culture and recreation	534,527	9,705	21,521	-
Health and welfare	280,332	775	48,332	40,000
Interest on long-term debt	167,561	-	-	-
<i>Total governmental activities</i>	<u>6,669,176</u>	<u>225,899</u>	<u>960,607</u>	<u>74,000</u>
<b>Business-type Activities:</b>				
Joint Utility	8,003,809	9,599,668	-	16,893
Solid Waste	456,920	336,909	-	-
Airport	351,142	229,196	14,645	220,864
Cemetery	13,405	11,864	-	-
Golf Course	81,364	8,657	-	-
<i>Total business-type activities</i>	<u>8,906,640</u>	<u>10,186,294</u>	<u>14,645</u>	<u>237,757</u>
<i>Total primary government</i>	<u>\$ 15,575,816</u>	<u>\$ 10,412,193</u>	<u>\$ 975,252</u>	<u>\$ 311,757</u>
<b>Component Unit:</b>				
Housing Authority	<u>\$ 2,091,665</u>	<u>\$ 456,952</u>	<u>\$ 1,300,663</u>	<u>\$ -</u>

**General Revenues, Special Item, and Transfers:**

Taxes

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Investment income

Miscellaneous revenue

Special item - donated asset

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, restatement (note 20)

Net position, as restated

Net position, ending

The accompanying notes are an integral part of these financial statements



<b>Net (Expense) Revenue and Changes in Net Position</b>			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,097,595)	\$ -	\$ (1,097,595)	\$ -
(1,382,110)	-	(1,382,110)	-
(2,066,878)	-	(2,066,878)	-
(503,301)	-	(503,301)	-
(191,225)	-	(191,225)	-
(167,561)	-	(167,561)	-
<u>(5,408,670)</u>	<u>-</u>	<u>(5,408,670)</u>	<u>-</u>
-	1,612,752	1,612,752	
-	(120,011)	(120,011)	
-	113,563	113,563	
-	(1,541)	(1,541)	
-	(72,707)	(72,707)	-
<u>-</u>	<u>1,532,056</u>	<u>1,532,056</u>	<u>-</u>
<u>(5,408,670)</u>	<u>1,532,056</u>	<u>(3,876,614)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>152,618</u>
164,725	-	164,725	-
3,240,310	9,938	3,250,248	-
95,156	-	95,156	-
284,320	-	284,320	-
3,408	10,872	14,280	-
22,848	13,699	36,547	1,314
14,682	-	14,682	-
<u>1,559,661</u>	<u>(1,559,661)</u>	<u>-</u>	<u>-</u>
<u>5,385,110</u>	<u>(1,525,152)</u>	<u>3,859,958</u>	<u>1,314</u>
<u>(23,560)</u>	<u>6,904</u>	<u>(16,656)</u>	<u>153,932</u>
9,689,822	13,900,470	23,590,292	3,058,836
<u>(219,561)</u>	<u>(1,237,884)</u>	<u>(1,457,445)</u>	<u>219,595</u>
<u>9,470,261</u>	<u>12,662,586</u>	<u>22,132,847</u>	<u>3,278,431</u>
<u>\$ 9,446,701</u>	<u>\$ 12,669,490</u>	<u>\$ 22,116,191</u>	<u>\$ 3,432,363</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Balance Sheet  
Governmental Funds  
June 30, 2014

Exhibit B-1  
Page 1 of 2

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<i>Assets</i>				
Cash and cash equivalents	\$ 908,738	\$ 100,462	\$ 843,470	\$ 1,852,670
Restricted cash and cash equivalents	7,299	189,407	60,831	257,537
Investments	-	584,571	-	584,571
Restricted investments	14,036	501,416	21,012	536,464
Receivables:				
Property taxes	31,970	-	-	31,970
Other taxes	522,801	78,097	54,162	655,060
Due from other governments	73,352	-	13,408	86,760
Miscellaneous receivables	27,078	-	30,392	57,470
Inventory	113,864	-	-	113,864
<i>Total assets</i>	<u>\$ 1,699,138</u>	<u>\$ 1,453,953</u>	<u>\$ 1,023,275</u>	<u>\$ 4,176,366</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
Accounts payable	\$ 90,133	\$ -	\$ 13,695	\$ 103,828
Accrued payroll	124,355	-	-	124,355
<i>Total liabilities</i>	<u>214,488</u>	<u>-</u>	<u>13,695</u>	<u>228,183</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	23,399	-	-	23,399
Unavailable revenue - grant	16,878	-	-	16,878
<i>Total deferred inflows of resources</i>	<u>40,277</u>	<u>-</u>	<u>-</u>	<u>40,277</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	113,864	-	-	113,864
Spendable				
Restricted for:				
Public safety	-	-	13,559	13,559
Culture and recreation	-	-	284,133	284,133
Transportation and roads	-	-	225,145	225,145
Fire protection	-	-	221,550	221,550
Veteran's Wall	-	-	63,220	63,220
Debt service expenditures	-	1,453,953	-	1,453,953
Capital projects	-	-	201,973	201,973
Committed to:				
Subsequent year's expenditures	408,566	-	-	408,566
Unassigned	921,943	-	-	921,943
<i>Total fund balances</i>	<u>1,444,373</u>	<u>1,453,953</u>	<u>1,009,580</u>	<u>3,907,906</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,699,138</u>	<u>\$ 1,453,953</u>	<u>\$ 1,023,275</u>	<u>\$ 4,176,366</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 Balance Sheet to the Statement of Net Position

June 30, 2014

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	\$	3,907,906
Residual balances of the internal service funds are included within the governmental activities and are not reported within the governmental funds		61,513
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		10,048,653
Delinquent property taxes and grants not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities		40,277
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		(16,730)
Current portion of accrued compensated absences		(159,621)
Long-term portion of accrued compensated absences		(50,314)
Bonds and notes payable		(4,384,983)
Net position of governmental activities	\$	<u>9,446,701</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, 2014

Exhibit B-2  
Page 1 of 2

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenues</i>				
Taxes:				
Property	\$ 167,605	\$ -	\$ -	\$ 167,605
Gross receipts	2,677,575	431,748	130,987	3,240,310
Gasoline and motor vehicle	23,360	-	71,796	95,156
Other	75,352	-	208,968	284,320
Intergovernmental				
Federal capital grants	-	-	40,000	40,000
State operating grants	541,980	-	401,749	943,729
State capital grants	-	2,607	31,393	34,000
Charges for services	66,375	-	52,949	119,324
Licenses and fees	86,028	-	-	86,028
Investment income	301	2,477	630	3,408
Miscellaneous	21,165	-	1,683	22,848
<i>Total revenues</i>	<u>3,659,741</u>	<u>436,832</u>	<u>940,155</u>	<u>5,036,728</u>
<i>Expenditures</i>				
Current:				
General government	1,207,220	552	182,269	1,390,041
Public safety	1,453,958	-	348,684	1,802,642
Public works	1,447,831	-	732,041	2,179,872
Culture and recreation	412,934	-	72,490	485,424
Health and welfare	280,332	-	-	280,332
Capital outlay	9,698	-	522,215	531,913
Debt service:				
Principal	-	253,094	-	253,094
Interest	-	167,548	-	167,548
<i>Total expenditures</i>	<u>4,811,973</u>	<u>421,194</u>	<u>1,857,699</u>	<u>7,090,866</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,152,232)</u>	<u>15,638</u>	<u>(917,544)</u>	<u>(2,054,138)</u>
<i>Other financing sources (uses)</i>				
Transfers in	1,802,500	118,980	267,324	2,188,804
Transfers out	(323,828)	(116,215)	(189,100)	(629,143)
<i>Total other financing sources (uses)</i>	<u>1,478,672</u>	<u>2,765</u>	<u>78,224</u>	<u>1,559,661</u>
<i>Net change in fund balance</i>	<u>326,440</u>	<u>18,403</u>	<u>(839,320)</u>	<u>(494,477)</u>
<i>Fund balance - beginning of year</i>	1,117,933	1,435,550	2,017,325	4,570,808
<i>Fund balance - restatement (Note 20)</i>	-	-	(168,425)	(168,425)
<i>Fund balance - as restated</i>	<u>1,117,933</u>	<u>1,435,550</u>	<u>1,848,900</u>	<u>4,402,383</u>
<i>Fund balance - end of year</i>	<u>\$ 1,444,373</u>	<u>\$ 1,453,953</u>	<u>\$ 1,009,580</u>	<u>\$ 3,907,906</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, 2014

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	\$	(494,477)
--	----	-----------

Change in net position of internal service funds		(37,528)
--	--	----------

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		531,913
Depreciation expense		(436,398)
Donation of capital assets		14,682

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

Change in unavailable revenue related to property taxes receivable		(2,880)
Change in unavailable revenue related to grants		16,878

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

Decrease in accrued compensated absences not due and payable		131,169
Increase in accrued interest		(13)

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:

Principal payments on loans and notes payable		253,094
---	--	---------

Change in net position of governmental activities	\$	(23,560)
---	----	----------

The accompanying notes are an integral part of these financial statement

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**STATE OF NEW MEXICO**

Exhibit C-1

City of Truth or Consequences

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ 165,753	\$ 165,753	\$ 166,206	\$ 453
Gross receipts	2,660,000	2,660,000	2,595,506	(64,494)
Gasoline and motor vehicle	23,000	23,000	23,264	264
Other	80,038	80,038	74,313	(5,725)
Intergovernmental income:				
State operating grant	354,334	369,334	491,391	122,057
Charges for services	53,600	53,600	65,089	11,489
Licenses and fees	43,650	43,650	63,312	19,662
Investment income	1	1	301	300
Miscellaneous	5,100	16,661	26,086	9,425
<i>Total revenues</i>	<u>3,385,476</u>	<u>3,412,037</u>	<u>3,505,468</u>	<u>93,431</u>
<i>Expenditures</i>				
Current:				
General government	1,367,171	1,430,987	1,408,295	22,692
Public safety	1,634,128	1,647,846	1,505,810	142,036
Public works	1,482,034	1,475,821	1,393,636	82,185
Culture and recreation	417,339	412,251	412,603	(352)
Health and welfare	267,500	267,500	255,417	12,083
Capital outlay	75,000	68,850	62,138	6,712
<i>Total expenditures</i>	<u>5,243,172</u>	<u>5,303,255</u>	<u>5,037,899</u>	<u>265,356</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,857,696)</u>	<u>(1,891,218)</u>	<u>(1,532,431)</u>	<u>358,787</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	379,016	412,538	-	(412,538)
Transfers in	1,800,000	1,800,000	1,802,500	2,500
Transfers out	(321,320)	(321,320)	(323,828)	(2,508)
<i>Total other financing sources (uses)</i>	<u>1,857,696</u>	<u>1,891,218</u>	<u>1,478,672</u>	<u>(412,546)</u>
<i>Net change in fund balance</i>	-	-	(53,759)	(53,759)
<i>Fund balance - beginning of year</i>	-	-	983,832	983,832
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 930,073</u>	<u>\$ 930,073</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (53,759)	
Adjustments to revenues for property taxes and state operating grants.			154,273	
Adjustments to expenditures for salaries and operating expenses.			225,926	
Net change in fund balance (GAAP)			<u>\$ 326,440</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, 2014

Business-Type Activities - Enterprise Funds

	Joint Utility Fund	Airport Fund	Solid Waste Fund
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 3,047,465	\$ 163,870	\$ 568,115
Investments	1,550,655	-	-
Receivables			
Utility receivables, net	1,109,143	5,022	822
Due from other governments	-	-	13,309
Inventory	425,043	47,901	-
<i>Total current assets</i>	<u>6,132,306</u>	<u>216,793</u>	<u>582,246</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	1,325,423	-	-
Restricted investment	133,230	-	-
Capital assets	13,638,579	3,527,173	3,746,968
Accumulated depreciation	(8,157,179)	(861,706)	(2,044,493)
<i>Total noncurrent assets</i>	<u>6,940,053</u>	<u>2,665,467</u>	<u>1,702,475</u>
<i>Total assets</i>	<u>\$ 13,072,359</u>	<u>\$ 2,882,260</u>	<u>\$ 2,284,721</u>
<i>Liabilities, deferred inflows of resources, and net position</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 430,275	\$ 1,977	\$ 31,318
Accrued payroll expenses	54,616	2,360	-
Accrued compensated absences	78,336	2,087	-
Customer deposits	192,152	-	-
Accrued interest	20,439	-	-
Current portion of long-term debt	395,421	-	-
<i>Total current liabilities</i>	<u>1,171,239</u>	<u>6,424</u>	<u>31,318</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	8,577	3,061	-
Accrued landfill closure costs	-	-	634,302
Bonds payable	1,025,000	-	-
Leases and notes payable	3,497,390	-	-
<i>Total noncurrent liabilities</i>	<u>4,530,967</u>	<u>3,061</u>	<u>634,302</u>
<i>Total liabilities</i>	<u>5,702,206</u>	<u>9,485</u>	<u>665,620</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - grants	96,000	-	-
<i>Total deferred inflows of resources</i>	<u>96,000</u>	<u>-</u>	<u>-</u>
<i>Net Position</i>			
Net investment in capital assets	563,589	2,665,467	1,702,475
Restricted for:			
Debt service	1,458,653	-	-
Unrestricted	5,251,911	207,308	(83,374)
<i>Total net position</i>	<u>7,274,153</u>	<u>2,872,775</u>	<u>1,619,101</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 13,072,359</u>	<u>\$ 2,882,260</u>	<u>\$ 2,284,721</u>

The accompanying notes are an integral part of these financial statements



Business-Type Activities - Enterprise Funds		Governmental Activities	
Other Enterprise			
Funds	Total	Internal Service Fund	
\$ 32,178	\$ 3,811,628	\$ 61,513	
-	1,550,655	-	
-	1,114,987	-	
722	14,031	-	
-	472,944	-	
<u>32,900</u>	<u>6,964,245</u>	<u>61,513</u>	
-	1,325,423	-	
-	133,230	-	
1,238,393	22,151,113	-	
(364,861)	(11,428,239)	-	
<u>873,532</u>	<u>12,181,527</u>	<u>-</u>	
<u>\$ 906,432</u>	<u>\$ 19,145,772</u>	<u>\$ 61,513</u>	
\$ 2,971	\$ 466,541	\$ -	
-	56,976	-	
-	80,423	-	
-	192,152	-	
-	20,439	-	
-	395,421	-	
<u>2,971</u>	<u>1,211,952</u>	<u>-</u>	
-	11,638	-	
-	634,302	-	
-	1,025,000	-	
-	3,497,390	-	
<u>-</u>	<u>5,168,330</u>	<u>-</u>	
<u>2,971</u>	<u>6,380,282</u>	<u>-</u>	
-	96,000	-	
-	96,000	-	
873,532	5,805,063	-	
-	1,458,653	-	
<u>29,929</u>	<u>5,405,774</u>	<u>61,513</u>	
<u>903,461</u>	<u>12,669,490</u>	<u>61,513</u>	
<u>\$ 906,432</u>	<u>\$ 19,145,772</u>	<u>\$ 61,513</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, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Joint Utility Fund</u>	<u>Airport Fund</u>	<u>Solid Waste Fund</u>
<i>Operating revenues</i>			
Charges for services	\$ 9,599,668	\$ 229,196	\$ 336,909
<i>Total operating revenues</i>	<u>9,599,668</u>	<u>229,196</u>	<u>336,909</u>
<i>Operating expenses</i>			
General operating	5,890,702	185,516	381,667
Personnel services	1,628,126	60,435	-
Depreciation	335,405	105,191	75,253
<i>Total operating expenses</i>	<u>7,854,233</u>	<u>351,142</u>	<u>456,920</u>
<i>Operating income (loss)</i>	<u>1,745,435</u>	<u>(121,946)</u>	<u>(120,011)</u>
<i>Non-operating revenues (expenses)</i>			
Interest expense	(149,576)	-	-
Investment income	10,563	26	272
Gross receipts taxes	-	5,611	4,327
Miscellaneous income	2,767	100	9,209
<i>Total non-operating revenues (expenses)</i>	<u>(136,246)</u>	<u>5,737</u>	<u>13,808</u>
<i>Income (loss) before contributions and transfers</i>	<u>1,609,189</u>	<u>(116,209)</u>	<u>(106,203)</u>
Government contributions	16,893	235,509	-
Transfers in	948,716	108,000	461,981
Transfers out	(3,092,319)	-	(42,618)
<i>Change in net position</i>	<u>(517,521)</u>	<u>227,300</u>	<u>313,160</u>
<i>Net position - beginning</i>	9,029,558	2,645,475	1,305,941
<i>Net position, restatement (note 20)</i>	<u>(1,237,884)</u>	<u>-</u>	<u>-</u>
<i>Total net position, as restated</i>	<u>7,791,674</u>	<u>2,645,475</u>	<u>1,305,941</u>
<i>Net position - end of year</i>	<u>\$ 7,274,153</u>	<u>\$ 2,872,775</u>	<u>\$ 1,619,101</u>

The accompanying notes are an integral part of these financial statements

<u>Business-Type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>
<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
\$ 20,521	\$ 10,186,294	\$ 20,547
20,521	10,186,294	20,547
72,863	6,530,748	58,075
-	1,688,561	-
21,906	537,755	-
94,769	8,757,064	58,075
(74,248)	1,429,230	(37,528)
-	(149,576)	-
11	10,872	-
-	9,938	-
1,623	13,699	-
1,634	(115,067)	-
(72,614)	1,314,163	(37,528)
-	252,402	-
107,232	1,625,929	-
(50,653)	(3,185,590)	-
(16,035)	6,904	(37,528)
919,496	13,900,470	99,041
-	(1,237,884)	-
919,496	12,662,586	99,041
\$ 903,461	\$ 12,669,490	\$ 61,513

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>	
	<u>Joint Utility Fund</u>	<u>Airport Fund</u>
<i>Cash flows from operating activities</i>		
Cash received from user charges	\$ 9,680,751	\$ 224,174
Cash payments to employees for services	(146,040)	(121)
Cash payments to suppliers for goods and services	(7,125,072)	(267,008)
<i>Net cash provided (used) by operating activities</i>	<u>2,409,639</u>	<u>(42,955)</u>
<i>Cash flows from noncapital financing activities</i>		
Government contributions	112,893	235,509
Gross receipts taxes	-	5,611
Miscellaneous income	2,767	100
Payments of accrued compensated absences	-	(2,118)
Landfill closure costs	-	-
Transfers	(2,143,603)	108,000
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(2,027,943)</u>	<u>347,102</u>
<i>Cash flows from investing activities</i>		
Purchase investements	(140,425)	-
Interest on investments	10,563	26
<i>Net cash provided (used) by investing activities</i>	<u>(129,862)</u>	<u>26</u>
<i>Cash flows from capital and related financing activities</i>		
Acquisition of capital assets	(502,251)	(240,582)
Interest paid	(151,103)	-
Proceeds from issuance of long-term debt	64,000	-
Principal payments on bonds, loans and notes payable	(381,423)	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(970,777)</u>	<u>(240,582)</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	(718,943)	63,591
<i>Cash and cash equivalents - beginning of year</i>	<u>5,091,831</u>	<u>100,279</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 4,372,888</u>	<u>\$ 163,870</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ 1,745,435	\$ (121,946)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	335,404	105,191
Changes in assets and liabilities		
Receivables	81,083	(5,022)
Inventory	355,141	(21,452)
Accounts payable	(4,323)	395
Accrued payroll expenses	(6,671)	890
Accrued compensated absences	(139,369)	(1,011)
Meter deposits	42,939	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 2,409,639</u>	<u>\$ (42,955)</u>

The accompanying notes are an integral part of these financial statements

<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
<u>Solid Waste Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 333,877	\$ 20,472	\$ 10,259,274	\$ 20,547
-	-	(146,161)	-
(366,778)	(76,869)	(7,835,727)	(22,350)
(32,901)	(56,397)	2,277,386	(1,803)
-	-	348,402	-
4,327	-	9,938	-
9,209	1,623	13,699	-
-	-	(2,118)	-
(39,910)	-	(39,910)	-
419,363	56,579	(1,559,661)	-
392,989	58,202	(1,229,650)	-
-	-	(140,425)	-
272	11	10,872	-
272	11	(129,553)	-
(444,145)	(25,232)	(1,212,210)	-
-	-	(151,103)	-
-	-	64,000	-
-	-	(381,423)	-
(444,145)	(25,232)	(1,680,736)	-
(83,785)	(23,416)	(762,553)	(1,803)
651,900	55,594	5,899,604	63,316
\$ 568,115	\$ 32,178	\$ 5,137,051	\$ 61,513
\$ (120,011)	\$ (74,248)	\$ 1,429,230	\$ (37,528)
75,254	21,906	537,755	-
(3,032)	(49)	72,980	-
-	-	333,689	35,725
14,888	(4,006)	6,954	-
-	-	(5,781)	-
-	-	(140,380)	-
-	-	42,939	-
\$ (32,901)	\$ (56,397)	\$ 2,277,386	\$ (1,803)

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**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, 2014 the City adopted a new accounting standard GASB Statement No. 65, Items previously Reported as Assets and Liabilities ("GASB 65"), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources. The implementation of GASB Statement No. 65 is expected to affect the City by reclassifying unavailable revenue – property taxes as a deferred inflow of resources and removing previously recorded bond issuance costs and related accumulated amortization. The effect of GASB Statement No. 65 is reflected in the Statement of Activities as a restatement in the amount of \$51,136 and \$58,410 due to the accounting treatment of the unamortized amount of bond issuance costs at July 1, 2013 for the governmental activities and the business type activities, respectively.

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.

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.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity**

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.

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*.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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.

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.



**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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.

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.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Inflows of Resources, 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.

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 10<sup>th</sup> and April 10<sup>th</sup> 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 and restricted for future debt service payments, capital projects, customer deposits and the City's landfill liability.

**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.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)***

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized by the City during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

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

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

**Deferred Inflow of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. 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 inflows of resources. The City has two types of items, which arise under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, one of the items, unavailable revenue - property taxes is reported only in the governmental funds balance sheet. The other item, unavailable revenue – grants is reported only in the modified accrual basis of accounting for the governmental funds. However for the business-type activities unavailable revenue is reported on the full accrual basis of accounting. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. The City has recorded in the governmental funds \$23,399 related to property taxes, \$16,878 related to grants. The City has also recorded \$96,000 in the Proprietary funds related to grants.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)**

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

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

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as 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 are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**Fund Balance Classification Policies and Procedures:** For committed fund balance, the City's highest level of decision-making authority is the City 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.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)**

**Nonspendable Fund Balance:** At June 30, 2014, the nonspendable fund balance of the City is comprised of inventory in the general fund in the amount of \$113,864 which is not in spendable form.

**Restricted and Committed Fund Balance:** At June 30, 2014, the restricted fund balance on the governmental funds balance sheet is made up of \$13,559 for public safety, \$284,133 for culture and recreation, \$225,145 for transportation and roads, \$221,550 for fire protection, \$63,220 for Veteran's Wall, \$1,453,953 for debt services expenditures, \$201,973 for capital projects, and committed fund balance is made up of \$408,566 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, 2014.

**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 32-33 and 64-65
- c. Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "Net Investment in Capital Assets."

**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 and the estimate for landfill closure and postclosure costs.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)**

**Reclassification:** During fiscal year ending June 30, 2014, the City Commission approved the name change of the Morgan Street Flood Control Capital Projects Fund to Golf Course Improvement Capital Projects Fund. The City Commission also approved the transfer of the remaining fund balance of \$1,351 from the Morgan Street Flood Control Capital Projects Fund to the Golf Course Improvement Capital Projects Fund.

**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	\$ (1,857,696)	\$(1,891,218)
Debt Service Fund	\$ (118,980)	\$ (124,980)
Nonmajor Governmental Funds	\$ (842,342)	\$(1,035,898)
	 <u>Change in Net Position</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
Joint Utility	\$ (2,256,078)	\$(1,822,412)
Airport	\$ 50,249	\$ 50,249
Solid Waste	\$ 526,817	\$ 526,817
Nonmajor Proprietary Funds	\$ (5,008)	\$ (5,008)

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

*Budgetary Information (continued)*

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, 2014.

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.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 3. Deposits and Investments (continued)**

*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, 2014, \$8,361,837 of the City’s bank balance of \$9,111,837 was subject to custodial credit risk. \$5,056,502 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the City’s name and \$3,305,335 of the City’s deposits was uninsured and uncollateralized at June 30, 2014.

	Bank of the Southwest	Compass Bank	Bank of New York Mellon	Total
Amount of deposits	\$ 6,945,178	\$ 2,166,659	\$ 401,051	\$ 9,512,888
FDIC Coverage	(250,000)	(500,000)	(401,051)	(1,151,051)
Total uninsured public funds	<u>6,695,178</u>	<u>1,666,659</u>	<u>-</u>	<u>8,361,837</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	3,389,843	1,666,659	-	5,056,502
Uninsured and uncollateralized	<u>\$ 3,305,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,305,335</u>
Collateral requirement (50% of uninsured funds)	\$ 3,347,589	\$ 833,330	\$ -	\$ 4,180,919
Pledged Collateral	3,389,843	2,351,025	-	5,740,868
Over (Under) collateralized	<u>\$ 42,254</u>	<u>\$ 1,517,695</u>	<u>\$ -</u>	<u>\$ 1,559,949</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, 2014 include the following:

Investment Type	Weighted Average Maturities	Fair Value	Rating*
U.S. Treasury Money Market Mutual Funds	>365 days	\$ 669,694	Aaa

\* Based off Standards & Poor’s rating

In addition to the restricted cash and cash equivalents above there are \$2,135,226 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.



**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 3. Deposits and Investments (continued)**

*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 100%, 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).

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	\$ 5,725,811
Investments per Exhibit A-1	2,135,226
Restricted cash and cash equivalents per Exhibit A-1	1,582,960
Restricted investments per Exhibit A-1	<u>669,694</u>
 Total cash, cash equivalents and investments	 10,113,691
Plus: outstanding checks	119,101
Less outstanding deposits	(49,242)
Less: Investment with NMFA	(669,694)
Less: petty cash	<u>(968)</u>
 Bank balance of deposits	 <u><u>\$ 9,512,888</u></u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 4. Receivables**

Receivables as of June 30, 2014, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 31,970	\$ -	\$ -	\$ 31,970
Other taxes:				
Gross receipts taxes	504,455	78,097	27,885	610,437
Gasoline and oil taxes			5,747	5,747
Franchise and lodgers taxes	18,346		20,530	38,876
Other receivables:				
Intergovernmental-grants:				
State	54,410		13,408	67,818
Federal	18,942	-	-	18,942
Reimbursements for services	27,078	-	30,392	57,470
<b>Totals</b>	<u>\$ 655,201</u>	<u>\$ 78,097</u>	<u>\$ 97,962</u>	<u>\$ 831,260</u>

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

Governmental funds report *unavailable 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. Unavailable revenue related to property taxes receivable was \$23,399 and unavailable revenue related to grants was \$16,878 for the City for the year ended June 30, 2014.

	<u>Joint Utility</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Utility receivables	\$ 1,209,623	\$ 5,022	\$ 822	\$ -	\$ 1,215,467
Less: Allowance for uncollectible accounts	(100,480)	-	-	-	(100,480)
Other receivables:					
Intergovernmental-grants:					
State	-	-	13,309	722	14,031
<b>Totals</b>	<u>\$ 1,109,143</u>	<u>\$ 5,022</u>	<u>\$ 14,131</u>	<u>\$ 722</u>	<u>\$ 1,129,018</u>

Business-Type Activities report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Business-Type Activities also defer revenue recognition in connection with resources that have been received but not yet earned. Unavailable revenue related to grants was \$96,000 for the City for the year ended June 30, 2014.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**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>
CDBG Project	Joint Utility Proprietary Fund	\$ 71,393
Debt Service Fund	Joint Utility Proprietary Fund	116,215
DWI Grant Special Revenue Fund	Airport Proprietary Fund	38,000
General Fund	Airport Proprietary Fund	70,000
General Fund	Capital Expenditures Fund	25,000
General Fund	Correction Fees Fund	8,000
General Fund	Federal Seizures Share Fund	2
General Fund	Golf Course Proprietary Fund	37,000
General Fund	Joint Utility Proprietary Fund	4
General Fund	Municipal Street Fund	20,000
General Fund	Police Department GRT Fund	141,320
General Fund	Recreation Fund	20,000
General Fund	Senior Transportation Fund	2
General Fund	State Library Fund	2,500
Golf Course Improvements	Golf Course Proprietary Fund	17,207
Golf Course Proprietary Fund	Joint Utility Proprietary Fund	17,653
Golf Course Proprietary Fund	Golf Course Improvements	33,000
Joint Utility Proprietary Fund	Debt Service Fund	118,980
Joint Utility Proprietary Fund	General Fund	1,800,000
Joint Utility Proprietary Fund	Golf Course Proprietary Fund	8,025
Joint Utility Proprietary Fund	Joint Utility Proprietary Fund	700,833
Joint Utility Proprietary Fund	R&R Emergency Fund	2,500
Joint Utility Proprietary Fund	Solid Waste Proprietary Fund	461,981
Lodger's Tax Fund	Golf Course Proprietary Fund	45,000
Lodger's Tax Fund	Veteran's Wall Fund	15,000
Solid Waste Proprietary Fund	Joint Utility Proprietary Fund	42,618
State Library Fund	General Fund	2,500
		<u>\$ 3,814,733</u>

The City does not pool their cash and therefore the City did not have any internal balances as of June 30, 2014.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land and construction in progress are not subject to depreciation.

<b>Governmental Activities:</b>	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 4,718,680	\$ 14,682	\$ -	\$ 4,733,362
Construction in progress	480,158	-	480,158	-
	<u>5,198,838</u>	<u>14,682</u>	<u>480,158</u>	<u>4,733,362</u>
Capital assets being depreciated:				
Buildings and improvements	8,198,339	727,926	-	8,926,265
Equipment	2,356,812	9,411	-	2,366,223
Infrastructure	2,333,051	-	-	2,333,051
Vehicles	1,734,468	274,734	64,495	1,944,707
	<u>14,622,670</u>	<u>1,012,071</u>	<u>64,495</u>	<u>15,570,246</u>
Total capital assets	<u>19,821,508</u>	<u>1,026,753</u>	<u>544,653</u>	<u>20,303,608</u>
Accumulated depreciation:				
Buildings and improvements	6,340,517	88,682	-	6,429,199
Equipment	1,815,077	153,643	-	1,968,720
Infrastructure	284,778	80,760	-	365,538
Vehicles	1,442,680	113,313	64,495	1,491,498
	<u>9,883,052</u>	<u>436,398</u>	<u>64,495</u>	<u>10,254,955</u>
Net Capital Assets	<u>\$ 9,938,456</u>	<u>\$ 590,355</u>	<u>\$ 480,158</u>	<u>\$ 10,048,653</u>

The City received a donated asset in the amount of \$14,682 during the year ended June 30, 2014.

Depreciation expense for the year ended June 30, 2014 was charged to governmental activities as follows:

Total by Function	
General government	\$ 239,224
Public safety	66,579
Public works	12,807
Culture and recreation	117,788
Total	<u>\$ 436,398</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 6. Capital Assets (continued)**

**Business-type Activities:**

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 1,774,283	\$ -	\$ 18,877	\$ 1,755,406
Construction in progress	112,371	21,723	17,837	116,257
	<u>1,886,654</u>	<u>21,723</u>	<u>36,714</u>	<u>1,871,663</u>
Capital assets being depreciated:				
Buildings and improvements	2,972,424	372,214	-	3,344,638
Utility Plant	7,912,587	55,301	-	7,967,888
Golf course infrastructure	1,860	-	-	1,860
Airport infrastructure	2,712,964	177,841	-	2,890,805
Equipment	3,698,925	181,753	-	3,880,678
Vehicles	1,938,552	440,092	185,063	2,193,581
	<u>19,237,312</u>	<u>1,227,201</u>	<u>185,063</u>	<u>20,279,450</u>
Total capital assets	<u>21,123,966</u>	<u>1,248,924</u>	<u>221,777</u>	<u>22,151,113</u>
Accumulated depreciation:				
Buildings and improvements	1,186,791	65,454	-	1,252,245
Utility Plant	4,498,758	201,547	-	4,700,305
Airport infrastructure	408,901	81,663	-	490,564
Equipment	3,232,136	113,261	-	3,345,397
Vehicles	1,748,961	75,830	185,063	1,639,728
	<u>11,075,547</u>	<u>537,755</u>	<u>185,063</u>	<u>11,428,239</u>
Net Book Value	<u>\$ 10,048,419</u>	<u>\$ 711,169</u>	<u>\$ 36,714</u>	<u>\$ 10,722,874</u>

Depreciation expense for the year ended June 30, 2014 was charged to business-type activities as follows:

Joint Utility Fund	\$ 335,405
Airport Fund	105,191
Solid Waste Fund	75,253
Golf Course Fund	17,117
Cemetery Fund	4,789
Total	<u>\$ 537,755</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 7. Long-term Debt**

**Governmental Activities:**

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide statement of net position:

<b>Governmental Activities</b>	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
<b>NMFA Loans- Notes Payable</b>					
NMFA Construction & Repairs of Streets and Sidewalks	\$ 1,851,592	\$ -	\$ 85,241	\$ 1,766,351	\$ 86,878
NMFA Refinance Improvement Bonds	2,378,802	-	155,000	2,223,802	160,000
NMFA Police Department Building	179,570	-	12,853	166,717	13,036
NMFA Fire Pumper	228,113	-	-	228,113	20,009
<b>Total NMFA Loans- Notes Payable</b>	<u>4,638,077</u>	<u>-</u>	<u>253,094</u>	<u>4,384,983</u>	<u>279,923</u>
Compensated Absences	<u>341,104</u>	<u>137,643</u>	<u>268,812</u>	<u>209,935</u>	<u>159,621</u>
<b>Total Long-term debt</b>	<u>\$ 4,979,181</u>	<u>\$ 137,643</u>	<u>\$ 521,906</u>	<u>\$ 4,594,918</u>	<u>\$ 439,544</u>

**NMFA Loans- Notes Payable**

On October 13, 2009, the City adopted into Ordinance No. 601 to enter into a 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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	95,877	54,292	150,169
2020-2024	528,202	221,816	750,018
2025-2029	638,193	110,550	748,743
2030	144,270	5,227	149,497
	<u>\$ 1,766,351</u>	<u>\$ 633,120</u>	<u>\$ 2,399,471</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 7. Long-term Debt (continued)**

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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	122,224	76,218	198,442
2020-2024	690,423	301,787	992,210
2025-2029	853,948	127,671	981,619
	<u>\$ 2,223,802</u>	<u>\$ 855,941</u>	<u>\$ 3,079,743</u>

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

The annual requirements to amortize the NMFA loan as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 13,036	\$ 1,745	\$ 14,781
2016	13,156	1,634	14,790
2017	13,304	1,518	14,822
2018	13,460	1,396	14,856
2019	13,621	1,268	14,889
2020-2024	70,797	4,167	74,964
2025-2027	29,343	507	29,850
	<u>\$ 166,717</u>	<u>\$ 12,235</u>	<u>\$ 178,952</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 7. Long-term Debt (continued)**

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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 20,009	\$ 3,371	\$ 23,380
2016	21,673	1,707	23,380
2017	21,814	1,566	23,380
2018	21,995	1,385	23,380
2019	22,223	1,156	23,379
2020-2024	120,399	1,507	121,906
	<u>\$ 228,113</u>	<u>\$ 10,692</u>	<u>\$ 238,805</u>

The debt service and fire protection funds have typically been used to liquidate long-term liabilities.

**Compensated Absences-** Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2014, compensated absences decreased \$131,169 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, 2014

**NOTE 7. Long-term Debt (continued)**

**Business-Type Activities:**

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, 2014:

<b>Business-Type Activities</b>	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
<b>Revenue Bonds</b>					
Series 2012 Solid Waste Revenue bonds	\$ 1,170,000	\$ -	\$ 70,000	\$ 1,100,000	\$ 75,000
<b>Total Revenue Bonds</b>	<u>1,170,000</u>	<u>-</u>	<u>70,000</u>	<u>1,100,000</u>	<u>75,000</u>
<b>Loans Payable</b>					
NMFA Storage Tanks	860,025	-	98,719	761,306	101,206
NMFA Low voltage feeder line	1,038,425	-	78,011	960,414	80,703
NM Environment Department - utility system	156,410	-	29,460	126,950	30,344
NM Environment Department - utility system 95-16	264,020	-	25,989	238,031	26,768
NMFA Ground Storage Tanks	230,971	-	12,561	218,410	12,593
NMFA SUSDA Loan Refinance of 95,96, and 98 Utility Revenue	1,357,929	-	57,045	1,300,884	57,296
NMFA Water Tanks Loan	157,454	-	8,287	149,167	8,287
NMFA Storage Conveyance & Delivery	-	64,000	1,351	62,649	3,224
<b>Total Loans Payable</b>	<u>4,065,234</u>	<u>64,000</u>	<u>311,423</u>	<u>3,817,811</u>	<u>320,421</u>
Landfill Closure and post closure	674,212	-	39,910	634,302	-
Compensated Absences	234,559	16,568	159,066	92,061	80,423
<b>Total Long-term debt</b>	<u>\$ 6,144,005</u>	<u>\$ 80,568</u>	<u>\$ 580,399</u>	<u>\$ 5,644,174</u>	<u>\$ 475,844</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**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, 2014, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	85,000	31,205	116,205
2020-2024	485,000	102,307	587,307
2025-2026	220,000	13,035	233,035
	<u>\$ 1,100,000</u>	<u>\$ 302,375</u>	<u>\$ 1,402,375</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, 2014, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 101,206	\$ 17,173	\$ 118,379
2016	103,767	14,871	118,638
2017	106,411	12,500	118,911
2018	109,114	10,058	119,172
2019	111,916	7,542	119,458
2020-2021	228,892	7,230	236,122
	<u>\$ 761,306</u>	<u>\$ 69,374</u>	<u>\$ 830,680</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	93,322	24,099	117,421
2020-2024	526,286	64,661	590,947
	<u>\$ 960,414</u>	<u>\$ 215,389</u>	<u>\$ 1,175,803</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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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>\$ 126,950</u>	<u>\$ 9,662</u>	<u>\$ 136,612</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	30,128	3,781	33,909
2020-2022	95,916	5,812	101,728
	<u>\$ 238,031</u>	<u>\$ 33,242</u>	<u>\$ 271,273</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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 12,593	\$ -	\$ 12,593
2016	12,624	-	12,624
2017	12,656	-	12,656
2018	12,687	-	12,687
2019	12,719	-	12,719
2020-2024	64,075	-	64,075
2025-2029	64,879	-	64,879
2030-2032	26,177	-	26,177
	<u>\$ 218,410</u>	<u>\$ -</u>	<u>\$ 218,410</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	59,432	31,752	91,184
2020-2024	315,190	140,735	455,925
2025-2029	360,683	95,244	455,927
2030-2033	333,902	30,838	364,740
	<u>\$ 1,300,884</u>	<u>\$ 431,635</u>	<u>\$ 1,732,519</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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 8,287	\$ -	\$ 8,287
2016	8,287	-	8,287
2017	8,287	-	8,287
2018	8,287	-	8,287
2019	8,287	-	8,287
2020-2024	41,435	-	41,435
2025-2029	41,435	-	41,435
2030-2032	24,862	-	24,862
	<u>\$ 149,167</u>	<u>\$ -</u>	<u>\$ 149,167</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 7. Long-term Debt (continued)**

On March 21, 2014 the City borrowed \$64,000 from the New Mexico Finance Authority. The note matures on June 1, 2033, with 0.25% interest rate. The proceeds of the loan were used for a project for storage, conveyance, or delivery of water to end users. 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, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 3,224	\$ 157	\$ 3,381
2016	3,232	149	3,381
2017	3,240	140	3,380
2018	3,248	132	3,380
2019	3,256	124	3,380
2020-2024	16,403	499	16,902
2025-2029	16,608	293	16,901
2030-2033	13,438	84	13,522
	<u>\$ 62,649</u>	<u>\$ 1,578</u>	<u>\$ 64,227</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, 2014, compensated absences decreased \$142,498 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

**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, 2014, 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.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**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, 2014.
- 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, 2014.
- 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, 2014.

**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: 13.15% for municipal employees and 12.35% for law enforcement 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, 2014, 2013, and 2012 were \$353,274, \$347,942, and \$323,103, respectively, which equal the amount of the required contributions for each fiscal year.

**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.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

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

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](http://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, 2014, 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, 2014, 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, 2014, 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, 2014, 2013 and 2012 were \$103,254, \$98,056, and \$87,839, respectively, which equal the required contributions for each year.

**NOTE 12. Contingent Liabilities**

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self Insurers Fund. The maximum exposure of the City is not estimable as of June 30, 2014 in the remaining cases.



**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**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. The City has had the landfill site closed to the public and is in the process of collecting dirt for the final cap.

The estimated total current cost of the landfill closure and postclosure care 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, 2014. An updated estimate was performed in November of 2013. Current year deletions were based off of estimated costs from the Solid Waste Fund. The balance of remaining landfill closure and postclosure care cost at June 30, 2014 is \$634,302.

**NOTE 15. Construction and Other Significant Commitments**

Per Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, the City has one potential future remediation liability. This potential future remediation is for the BLM Landfill. The City is working with Bureau of Land Management (BLM) to acquire and patent the BLM Landfill. The New Mexico Groundwater Quality Bureau is currently requiring the City to monitor and report ground water testing for the BLM Landfill in accordance to the monitoring protocol and schedule.

**NOTE 16. Subsequent Events**

On September 11, 2014, the City entered into a 25 year Power Purchase Agreement with Affordable Solar, LLC for a 1.5 Megawatt system and a land lease agreement for the project site. The land lease includes a \$2,500 payment to the City during the term of the agreement.

The City renewed the Energy Services Agreement (ESA) with Sierra Electric CoOp (SEC) for an additional 10 years.

The City received a grant/loan from the United States Department of Agriculture/ Rural Development for the Wastewater Treatment Plant Project (WWTPP). The loan amount is \$910,000 and the grant amount of \$3,582,000. The City entered into a loan agreement with Rural Community Assistance Corporation (RCAC) for interim financing of the WWTPP in the amount of \$505,117.

The date to which events occurring after June 30, 2014, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 20, 2014, which is the date on which the financial statements were issued.

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 17. Restricted Net Position**

The government-wide statement of net position reports \$3,932,865 of restricted net position, all of which is restricted by enabling legislation. See pages 33, and 64-65 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

**NOTE 18. Concentrations**

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

**NOTE 19. 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 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, 2014

**NOTE 19. Joint Powers Agreement (continued)**

The City is a participant in a joint powers agreement with the Village of Williamsburg for road maintenance wherein the City is to provide road maintenance services which includes, but is not limited to street sweeping, pot hole patching, replacement of street signs and grant writing assistance. The Village will pay the City pursuant to a rate schedule and reimburse the City for fees charged in the performance of this MOU. This contract is renewable on an annual basis. The agreement can be terminated upon 30 days of written notice.

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

The City is a participant in a joint powers agreement with Sierra County for fiscal agent for animal shelter services with Sierra Veterinary Services. The City has entered into a contract with the Sierra Veterinary Services for the housing, feeding, adoption, and final disposition of all impounded animals. The County shall be \$3,000 per month for all regular services. The contract may be renewed annually for up to 4 years, upon the parties' mutual consent.

The City is a participant in a joint powers agreement with Sierra County to share resources in order to protect the citizens of the County and to humanely treat the stray animals in the County through the joint exercise of the City's Animal Control Officers. The County shall pay the City, \$30 for each response by the City's Animal Control Officers as requested by the County. The County shall be responsible for any charges arising from the "animal shelter" related to care, feeding and disposal. The contract shall remain in effect for 3 years until it is terminated pursuant to the terms of the JPA.

The City is a participant in a joint powers agreement with the City of Elephant Butte for animal control services. The City of Truth or Consequences shall provide, through the Animal Control Officer, control of dangerous animals and enforcement of the City of Elephant Butte's Ordinance No. 134. The City of Elephant Butte shall pay \$50 per response and/or patrol plus an additional \$25 per hour after the first hour. The contract may be renewed annually for up to 2 additional years.

The City is a participant in a joint powers agreement with the Mainstreet Truth or Consequences Organization and the New Mexico Mainstreet Program for the revitalization and economic development of its traditional downtown and historic commercial core as a designated MainStreet District. The agreement will allow the City to partner its resources with the New Mexico Economic Development Department's (NMED) MainStreet Program to support business and property owners for commercial district revitalization. The agreement is valid until July 31, 2015.

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**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Notes to the Financial Statements  
June 30, 2014

**NOTE 20. Prior Period Adjustments**

The City has restated net position in the amount of (\$219,561) for the governmental activities and (\$1,237,884) for the business-type activities for fiscal year ending June 30, 2014.

Due to implementation of GASB Statement No. 65 the City had to restate its net position by (\$51,136) for governmental activities and (\$58,410) for business-type activities. The implementation of GASB Statement No. 65 requires all bond issuance costs to be recognized the year of issuance rather than amortizing over the years of the bond repayment. As of June 30, 2013, the City maintained unamortized net bond issuance costs of \$51,136 for governmental activities and \$58,410 for business-type activities.

The City restated governmental activities beginning balance for accounts receivable due to improper recording of activities received from loan proceeds in prior years in the amount of (\$168,425).

The City restated business-type activities inventory in the amount of (\$1,179,474). In the prior years, the City maintained capital assets listed in their consumable inventory listings.

**NOTE 21. Subsequent Pronouncements**

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, 2015 and will significantly impact the City.

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 November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The standard will be implemented during fiscal year June 30, 2015.

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**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Nonmajor Governmental and Proprietary Fund Descriptions  
June 30, 2014

**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.

**Municipal Streets** - 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.

**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.

**Golf Course Improvements (formerly Morgan Street Flood Control)** - To account for monies related to capital outlay upgrade of the golf course. 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.



**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Nonmajor Governmental and Proprietary Fund Descriptions  
June 30, 2014

**Capital Projects Funds (continued)**

**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.

**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, 2014

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	\$ 222,526	\$ 33,788	\$ 5,146	\$ 769
Restricted cash and cash equivalents	68	-	-	-
Restricted investments	23	-	-	-
Receivables:				
Other taxes	-	-	-	-
Due from other governments	-	-	-	-
Miscellaneous receivables	-	-	-	-
<i>Total assets</i>	<u>\$ 222,617</u>	<u>\$ 33,788</u>	<u>\$ 5,146</u>	<u>\$ 769</u>
<i>Liabilities</i>				
Accounts payable	<u>\$ 1,067</u>	<u>\$ -</u>	<u>\$ 171</u>	<u>\$ -</u>
<i>Total liabilities</i>	<u>1,067</u>	<u>-</u>	<u>171</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	4,975	769
Culture and recreation	-	33,788	-	-
Transportation and roads	-	-	-	-
Fire protection	221,550	-	-	-
Veteran's Wall	-	-	-	-
Capital projects	-	-	-	-
<i>Total fund balances</i>	<u>221,550</u>	<u>33,788</u>	<u>4,975</u>	<u>769</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 222,617</u>	<u>\$ 33,788</u>	<u>\$ 5,146</u>	<u>\$ 769</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Police Department GRT Fund	Lodger's Tax	Municipal Streets Fund	DWI Grant	State Library	Veteran's Wall Perpetual Care
\$ 84,506	\$ 107,065	\$ 110,508	\$ 5,362	\$ 6,051	\$ 25,974
-	-	60,763	-	-	-
-	-	20,989	-	-	-
-	20,530	33,632	-	-	-
-	13,408	-	-	-	-
30,387	-	-	-	5	-
<u>\$ 114,893</u>	<u>\$ 141,003</u>	<u>\$ 225,892</u>	<u>\$ 5,362</u>	<u>\$ 6,056</u>	<u>\$ 25,974</u>
\$ 10,000	\$ 1,607	\$ 747	\$ -	\$ -	\$ -
10,000	1,607	747	-	-	-
-	-	-	5,362	-	-
104,893	139,396	-	-	6,056	-
-	-	225,145	-	-	-
-	-	-	-	-	-
-	-	-	-	-	25,974
-	-	-	-	-	-
<u>104,893</u>	<u>139,396</u>	<u>225,145</u>	<u>5,362</u>	<u>6,056</u>	<u>25,974</u>
<u>\$ 114,893</u>	<u>\$ 141,003</u>	<u>\$ 225,892</u>	<u>\$ 5,362</u>	<u>\$ 6,056</u>	<u>\$ 25,974</u>

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2014

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Federal Seizures Share</u>	<u>Senior Transportation</u>	<u>Capital Expenditures</u>	<u>Golf Course Improvements</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 2,453	\$ 88,170	\$ 45,146	\$ 16,600
Restricted cash and cash equivalents	-	-	-	-
Restricted investments	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Due from other governments	-	-	-	-
Miscellaneous receivables	-	-	-	-
<i>Total assets</i>	<u>\$ 2,453</u>	<u>\$ 88,170</u>	<u>\$ 45,146</u>	<u>\$ 16,600</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	2,453	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Fire protection	-	-	-	-
Veteran's Wall	-	-	-	-
Capital projects	-	88,170	45,146	16,600
<i>Total fund balances</i>	<u>2,453</u>	<u>88,170</u>	<u>45,146</u>	<u>16,600</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,453</u>	<u>\$ 88,170</u>	<u>\$ 45,146</u>	<u>\$ 16,600</u>

The accompanying notes are an integral part of these financial statements

Capital Projects			
R & R Emergency	Veteran's Wall	CDBG Project	Total Nonmajor Governmental Funds
\$ 49,938	\$ 37,349	\$ 2,119	\$ 843,470
-	-	-	60,831
-	-	-	21,012
-	-	-	54,162
-	-	-	13,408
-	-	-	30,392
<u>\$ 49,938</u>	<u>\$ 37,349</u>	<u>\$ 2,119</u>	<u>\$ 1,023,275</u>
<u>\$ -</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 13,695</u>
<u>-</u>	<u>103</u>	<u>-</u>	<u>13,695</u>
-	-	-	13,559
-	-	-	284,133
-	-	-	225,145
-	-	-	221,550
-	37,246	-	63,220
49,938	-	2,119	201,973
<u>49,938</u>	<u>37,246</u>	<u>2,119</u>	<u>1,009,580</u>
<u>\$ 49,938</u>	<u>\$ 37,349</u>	<u>\$ 2,119</u>	<u>\$ 1,023,275</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, 2014

Special Revenue

	Fire Protection	Recreation Fund	Correction Fees	Law Enforcement Protection
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ 514	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal capital grants	-	-	-	-
State operating grants	241,301	-	-	28,400
State capital grants	-	-	-	-
Charges for services	-	9,705	12,082	-
Investment income	214	50	-	-
Miscellaneous	-	424	-	-
<i>Total revenues</i>	<u>241,515</u>	<u>10,693</u>	<u>12,082</u>	<u>28,400</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	123,751	-	18,958	35,190
Public works	-	-	-	-
Culture and recreation	-	40,377	-	-
Capital outlay	226,402	238,070	-	-
<i>Total expenditures</i>	<u>350,153</u>	<u>278,447</u>	<u>18,958</u>	<u>35,190</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(108,638)</u>	<u>(267,754)</u>	<u>(6,876)</u>	<u>(6,790)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	20,000	8,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>20,000</u>	<u>8,000</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(108,638)</u>	<u>(247,754)</u>	<u>1,124</u>	<u>(6,790)</u>
<i>Fund balances - beginning of year</i>	330,188	449,967	3,851	7,559
<i>Fund balances - restatement (note 20)</i>	<u>-</u>	<u>(168,425)</u>	<u>-</u>	<u>-</u>
<i>Fund balances - as restated</i>	<u>330,188</u>	<u>281,542</u>	<u>3,851</u>	<u>7,559</u>
<i>Fund balances - end of year</i>	<u>\$ 221,550</u>	<u>\$ 33,788</u>	<u>\$ 4,975</u>	<u>\$ 769</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Police Department GRT Fund	Lodger's Tax	Municipal Streets Fund	DWI Grant	State Library	Veteran's Wall Perpetual Care
\$ -	\$ -	\$ 130,473	\$ -	\$ -	\$ -
-	-	71,796	-	-	-
-	208,968	-	-	-	-
-	-	-	-	-	-
-	20,000	39,804	-	21,521	-
-	-	-	-	-	-
30,387	-	-	-	-	775
48	70	234	-	-	-
-	-	-	-	1,259	-
<u>30,435</u>	<u>229,038</u>	<u>242,307</u>	<u>-</u>	<u>22,780</u>	<u>775</u>
-	182,269	-	-	-	-
170,785	-	-	-	-	-
-	-	700,553	-	-	-
-	-	-	-	25,158	-
9,411	-	-	-	-	-
<u>180,196</u>	<u>182,269</u>	<u>700,553</u>	<u>-</u>	<u>25,158</u>	<u>-</u>
<u>(149,761)</u>	<u>46,769</u>	<u>(458,246)</u>	<u>-</u>	<u>(2,378)</u>	<u>775</u>
141,320	-	20,000	-	2,500	-
-	(60,000)	-	(38,000)	(2,500)	-
<u>141,320</u>	<u>(60,000)</u>	<u>20,000</u>	<u>(38,000)</u>	<u>-</u>	<u>-</u>
<u>(8,441)</u>	<u>(13,231)</u>	<u>(438,246)</u>	<u>(38,000)</u>	<u>(2,378)</u>	<u>775</u>
113,334	152,627	663,391	43,362	8,434	25,199
-	-	-	-	-	-
<u>113,334</u>	<u>152,627</u>	<u>663,391</u>	<u>43,362</u>	<u>8,434</u>	<u>25,199</u>
<u>\$ 104,893</u>	<u>\$ 139,396</u>	<u>\$ 225,145</u>	<u>\$ 5,362</u>	<u>\$ 6,056</u>	<u>\$ 25,974</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, 2014

	Special Revenue	Capital Projects		
	Federal Seizures Share	Senior Transportation	Capital Expenditures	Golf Course Improvements
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal capital grants	-	-	-	-
State operating grants	2,391	48,332	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	14	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	2,391	48,332	14	-
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	30,944	544
Culture and recreation	-	-	-	-
Capital outlay	-	48,332	-	-
<i>Total expenditures</i>	-	48,332	30,944	544
<i>Excess (deficiency) of revenues over expenditures</i>	2,391	-	(30,930)	(544)
<i>Other financing sources (uses)</i>				
Transfers in	2	2	25,000	33,000
Transfers out	-	-	-	(17,207)
<i>Total other financing sources (uses)</i>	2	2	25,000	15,793
<i>Net change in fund balances</i>	2,393	2	(5,930)	15,249
<i>Fund balances - beginning of year</i>	60	88,168	51,076	1,351
<i>Fund balances - restatement (note 20)</i>	-	-	-	-
<i>Fund balances - as restated</i>	60	88,168	51,076	1,351
<i>Fund balances - end of year</i>	\$ 2,453	\$ 88,170	\$ 45,146	\$ 16,600

The accompanying notes are an integral part of these financial statements



<u>Capital Projects</u>			
<u>R &amp; R Emergency</u>	<u>Veteran's Wall</u>	<u>CDBG Project</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 130,987
-	-	-	71,796
-	-	-	208,968
-	-	40,000	40,000
-	-	-	401,749
-	-	31,393	31,393
-	-	-	52,949
-	-	-	630
-	-	-	1,683
<u>-</u>	<u>-</u>	<u>71,393</u>	<u>940,155</u>
-	-	-	182,269
-	-	-	348,684
-	-	-	732,041
-	6,955	-	72,490
-	-	-	522,215
<u>-</u>	<u>6,955</u>	<u>-</u>	<u>1,857,699</u>
<u>-</u>	<u>(6,955)</u>	<u>71,393</u>	<u>(917,544)</u>
2,500	15,000	-	267,324
<u>-</u>	<u>-</u>	<u>(71,393)</u>	<u>(189,100)</u>
<u>2,500</u>	<u>15,000</u>	<u>(71,393)</u>	<u>78,224</u>
<u>2,500</u>	<u>8,045</u>	<u>-</u>	<u>(839,320)</u>
47,438	29,201	2,119	2,017,325
<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,425)</u>
<u>47,438</u>	<u>29,201</u>	<u>2,119</u>	<u>1,848,900</u>
<u>\$ 49,938</u>	<u>\$ 37,246</u>	<u>\$ 2,119</u>	<u>\$ 1,009,580</u>

STATE OF NEW MEXICO

Statement B-1

City of Truth or Consequences  
 Fire Protection Special Revenue Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	153,204	153,204	241,301	88,097
State capital grant	-	-	-	-
Charges for services	-	-	-	-
Investment income	60	60	214	154
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>153,264</u>	<u>153,264</u>	<u>241,515</u>	<u>88,251</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	258,012	373,164	123,646	249,518
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	226,405	(226,405)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>258,012</u>	<u>373,164</u>	<u>350,051</u>	<u>23,113</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(104,748)</u>	<u>(219,900)</u>	<u>(108,536)</u>	<u>111,364</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	104,748	219,900	-	(219,900)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>104,748</u>	<u>219,900</u>	<u>-</u>	<u>(219,900)</u>
<i>Net change in fund balance</i>	-	-	(108,536)	(108,536)
<i>Fund balance - beginning of year</i>	-	-	331,153	331,153
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,617</u>	<u>\$ 222,617</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (108,536)	
No adjustments for revenue accruals.			-	
Adjustments to expenditures for salaries and operating expenses.			(102)	
Net change in fund balance (GAAP)			<u>\$ (108,638)</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, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	300	300	514	214
Intergovernmental				
State operating grants	33,838	33,838	33,839	1
State capital grant	258,869	258,869	20	(258,849)
Charges for services	16,500	16,500	9,705	(6,795)
Investment income	50	50	30	(20)
Miscellaneous	-	-	424	424
<i>Total revenues</i>	<u>309,557</u>	<u>309,557</u>	<u>44,532</u>	<u>(265,025)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	106,650	39,650	26,596	13,054
Health and welfare	-	-	-	-
Capital outlay	258,869	325,869	317,978	7,891
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>365,519</u>	<u>365,519</u>	<u>344,574</u>	<u>20,945</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(55,962)</u>	<u>(55,962)</u>	<u>(300,042)</u>	<u>(244,080)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	35,962	35,962	-	(35,962)
Transfers in	20,000	20,000	20,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>55,962</u>	<u>55,962</u>	<u>20,000</u>	<u>(35,962)</u>
<i>Net change in fund balance</i>	-	-	(280,042)	(280,042)
<i>Fund balance - beginning of year</i>	-	-	313,830	313,830
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,788</u>	<u>\$ 33,788</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (280,042)	
Adjustments to revenues for adjustments for pool cover accruals.			(33,839)	
Adjustments to expenditures for cultural and recreation accruals.			66,127	
Net change in fund balance (GAAP)			<u>\$ (247,754)</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-3

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, 2014

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
State capital grant	-	-	-	-
Charges for services	11,600	11,600	12,082	482
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>11,600</u>	<u>11,600</u>	<u>12,082</u>	<u>482</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	23,000	23,000	19,695	3,305
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>23,000</u>	<u>23,000</u>	<u>19,695</u>	<u>3,305</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(11,400)</u>	<u>(11,400)</u>	<u>(7,613)</u>	<u>3,787</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	3,400	3,400	-	(3,400)
Transfers in	8,000	8,000	8,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>11,400</u>	<u>11,400</u>	<u>8,000</u>	<u>(3,400)</u>
<i>Net change in fund balance</i>	-	-	387	387
<i>Fund balance - beginning of year</i>	-	-	4,759	4,759
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,146</u>	<u>\$ 5,146</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 387	
No adjustments for revenue accruals.			-	
Adjustments to expenditures for corrections fee accruals.			737	
Net change in fund balance (GAAP)			<u>\$ 1,124</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

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, 2014

	Budgeted Amounts		Actual	Variations
	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	28,400	28,400	28,400	-
State capital grant	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>28,400</u>	<u>28,400</u>	<u>28,400</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	35,958	35,958	35,190	768
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>35,958</u>	<u>35,958</u>	<u>35,190</u>	<u>768</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(7,558)</u>	<u>(7,558)</u>	<u>(6,790)</u>	<u>768</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	7,558	7,558	-	(7,558)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>7,558</u>	<u>7,558</u>	<u>-</u>	<u>(7,558)</u>
<i>Net change in fund balance</i>	-	-	(6,790)	(6,790)
<i>Fund balance - beginning of year</i>	-	-	7,559	7,559
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 769</u>	<u>\$ 769</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (6,790)	
No adjustments for revenue accruals.			-	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			<u>\$ (6,790)</u>	

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, 2014

	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	-	-	-	-
State capital grant	-	-	-	-
Charges for services	50,000	50,000	-	(50,000)
Investment income	25	25	48	23
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>50,025</u>	<u>50,025</u>	<u>48</u>	<u>(49,977)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	155,000	155,000	130,093	24,907
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	75,000	75,000	40,103	34,897
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>230,000</u>	<u>230,000</u>	<u>170,196</u>	<u>59,804</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(179,975)</u>	<u>(179,975)</u>	<u>(170,148)</u>	<u>9,827</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	38,655	38,655	-	(38,655)
Transfers in	141,320	141,320	141,320	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>179,975</u>	<u>179,975</u>	<u>141,320</u>	<u>(38,655)</u>
<i>Net change in fund balance</i>	-	-	(28,828)	(28,828)
<i>Fund balance - beginning of year</i>	-	-	113,334	113,334
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,506</u>	<u>\$ 84,506</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (28,828)	
Adjustments to revenue for charges for services accruals.			30,387	
Adjustments to expenditures for public safety accruals.			(10,000)	
Net change in fund balance (GAAP)			<u>\$ (8,441)</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-6

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, 2014

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Other	196,000	196,000	210,971	14,971
Intergovernmental				
State operating grants	20,000	20,000	6,592	(13,408)
State capital grant	-	-	-	-
Charges for services	-	-	-	-
Investment income	90	90	70	(20)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	216,090	216,090	217,633	1,543
<i>Expenditures:</i>				
Current:				
General government	190,381	190,381	182,968	7,413
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	190,381	190,381	182,968	7,413
<i>Excess (deficiency) of revenues over expenditures</i>	25,709	25,709	34,665	8,956
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	34,291	34,291	-	(34,291)
Transfers in	-	-	-	-
Transfers out	(60,000)	(60,000)	(60,000)	-
<i>Total other financing sources (uses)</i>	(25,709)	(25,709)	(60,000)	(34,291)
<i>Net change in fund balance</i>	-	-	(25,335)	(25,335)
<i>Fund balance - beginning of year</i>	-	-	132,400	132,400
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 107,065	\$ 107,065
Net change in fund balance (non-GAAP budgetary basis)			\$ (25,335)	
Adjustments to revenues for lodger's tax and state operating grants accruals.			11,405	
Adjustments to expenditures for operating expenses accruals.			699	
Net change in fund balance (GAAP)			\$ (13,231)	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-7

City of Truth or Consequences  
Municipal Streets 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, 2014

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	130,000	130,000	121,808	(8,192)
Gasoline and motor vehicle	74,000	74,000	71,022	(2,978)
Intergovernmental				
State operating grants	40,663	40,663	39,804	(859)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	75	75	234	159
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>244,738</u>	<u>244,738</u>	<u>232,868</u>	<u>(11,870)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	3,475	-	3,475
Public works	747,705	747,705	699,806	47,899
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>747,705</u>	<u>751,180</u>	<u>699,806</u>	<u>51,374</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(502,967)</u>	<u>(506,442)</u>	<u>(466,938)</u>	<u>39,504</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	482,967	486,442	-	(486,442)
Transfers in	20,000	20,000	20,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>502,967</u>	<u>506,442</u>	<u>20,000</u>	<u>(486,442)</u>
<i>Net change in fund balance</i>	-	-	(446,938)	(446,938)
<i>Fund balance - beginning of year</i>	-	-	639,198	639,198
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,260</u>	<u>\$ 192,260</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (446,938)	
Adjustments to revenues for charges for services and state operating grants accruals.			9,439	
Adjustments to expenditures for DWI expenses accrual.			(747)	
Net change in fund balance (GAAP)			<u>\$ (438,246)</u>	

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement B-8

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, 2014

	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	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	3,475	-	3,475
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>3,475</u>	<u>-</u>	<u>3,475</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(3,475)</u>	<u>-</u>	<u>3,475</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	38,000	41,475	-	(41,475)
Transfers in	-	-	-	-
Transfers out	(38,000)	(38,000)	(38,000)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>3,475</u>	<u>(38,000)</u>	<u>(41,475)</u>
<i>Net change in fund balance</i>	-	-	(38,000)	(38,000)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>43,362</u>	<u>43,362</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,362</u>	<u>\$ 5,362</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (38,000)	
No adjustments for revenues accruals.			-	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			<u>\$ (38,000)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

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, 2014

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	19,304	21,304	21,521	217
Charges for services	-	-	-	-
Miscellaneous	1,800	1,800	1,261	(539)
<i>Total revenues</i>	<u>21,104</u>	<u>23,104</u>	<u>22,782</u>	<u>(322)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	29,500	31,500	25,158	6,342
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>29,500</u>	<u>31,500</u>	<u>25,158</u>	<u>6,342</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(8,396)</u>	<u>(8,396)</u>	<u>(2,376)</u>	<u>6,020</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	8,396	8,396	-	(8,396)
Transfers in	-	-	2,500	2,500
Transfers out	-	-	(2,500)	(2,500)
<i>Total other financing sources (uses)</i>	<u>8,396</u>	<u>8,396</u>	<u>-</u>	<u>(8,396)</u>
<i>Net change in fund balance</i>	-	-	(2,376)	(2,376)
<i>Fund balance - beginning of year</i>	-	-	8,427	8,427
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,051</u>	<u>\$ 6,051</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (2,376)	
Adjustments to revenues for state operating grants accruals.			(2)	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			<u>\$ (2,378)</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-10

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, 2014

	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	775	(725)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	1,500	1,500	775	(725)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	1,500	1,500	-	1,500
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	1,500	1,500	-	1,500
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	775	775
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	775	775
<i>Fund balance - beginning of year</i>	-	-	25,199	25,199
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 25,974	\$ 25,974
Net change in fund balance (non-GAAP budgetary basis)			\$ 775	
No adjustments for revenue accruals.			-	
No adjustments for expenditures accruals.			-	
Net change in fund balance (GAAP)			\$ 775	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

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, 2014

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	-	-	2,391	2,391
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>2,391</u>	<u>2,391</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>2,391</u>	<u>2,391</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	2	2
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
<i>Net change in fund balance</i>	-	-	2,393	2,393
<i>Fund balance - beginning of year</i>	-	-	60	60
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,453</u>	<u>\$ 2,453</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 2,393	
No adjustments for revenue accruals.			-	
No adjustments for expenditures accruals.			-	
Net change in fund balance (GAAP)			<u>\$ 2,393</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Senior Transportation Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2014

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	78,606	78,606	48,332	(30,274)
State capital grant	-	-	-	-
Charges for services	3,100	3,100	-	(3,100)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>81,706</u>	<u>81,706</u>	<u>48,332</u>	<u>(33,374)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	29,252	29,252	-	29,252
Capital outlay	-	52,454	48,332	4,122
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>29,252</u>	<u>81,706</u>	<u>48,332</u>	<u>33,374</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>52,454</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(52,454)	-	-	-
Transfers in	-	-	2	2
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(52,454)</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>	-	-	88,168	88,168
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,170</u>	<u>\$ 88,170</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  
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, 2014

Statement B-13

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	100,000	100,000	33,359	(66,641)
State capital grant	-	-	-	-
Investment income	1	1	14	13
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>100,001</u>	<u>100,001</u>	<u>33,373</u>	<u>(66,628)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	34,500	34,500	30,944	3,556
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	100,000	100,000	-	100,000
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>134,500</u>	<u>134,500</u>	<u>30,944</u>	<u>103,556</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(34,499)</u>	<u>(34,499)</u>	<u>2,429</u>	<u>36,928</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	9,499	9,499	-	(9,499)
Transfers in	25,000	25,000	25,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>34,499</u>	<u>34,499</u>	<u>25,000</u>	<u>(9,499)</u>
<i>Net change in fund balance</i>	-	-	27,429	27,429
<i>Fund balance - beginning of year</i>	-	-	17,717	17,717
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,146</u>	<u>\$ 45,146</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 27,429	
Adjustments to revenues for state operating grants accruals.			(33,359)	
No adjustments for expenditures accruals.			-	
Net change in fund balance (GAAP)			<u>\$ (5,930)</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-14

City of Truth or Consequences  
 Golf Course Improvements 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, 2014

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary 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	-	19,000	17,751	1,249
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>19,000</u>	<u>17,751</u>	<u>1,249</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(19,000)</u>	<u>(17,751)</u>	<u>1,249</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(33,000)	(14,000)	-	14,000
Transfers in	33,000	33,000	33,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>19,000</u>	<u>33,000</u>	<u>14,000</u>
<i>Net change in fund balance</i>	-	-	15,249	15,249
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,351</u>	<u>1,351</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,600</u>	<u>\$ 16,600</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 15,249	
No adjustments for revenue accruals.			-	
No adjustments for expenditures accruals.			-	
Net change in fund balance (GAAP)			<u>\$ 15,249</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

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, 2014

	Budgeted Amounts		Actual	Variations
	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)	-	-	-	-
Transfers in	-	-	2,500	2,500
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>2,500</u>
<i>Net change in fund balance</i>	-	-	2,500	2,500
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>47,438</u>	<u>47,438</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,938</u>	<u>\$ 49,938</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 2,500	
No adjustments for revenues accruals.			-	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			<u>\$ 2,500</u>	

The accompanying notes are an integral part of these financial statements



STATE OF NEW MEXICO

Statement B-16

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, 2014

	Budgeted Amounts		Actual	Variations
	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	15,000	15,000	7,493	7,507
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,000</u>	<u>15,000</u>	<u>7,493</u>	<u>7,507</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(7,493)</u>	<u>7,507</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	15,000	15,000	-	(15,000)
Transfers in	-	-	15,000	15,000
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	7,507	7,507
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>29,842</u>	<u>29,842</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,349</u>	<u>\$ 37,349</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 7,507	
No adjustments for revenue accruals.			-	
Adjustments to expenditures for operating expenses accruals.			538	
Net change in fund balance (GAAP)			<u>\$ 8,045</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-17

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, 2014

	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	151,000	151,000	71,393	(79,607)
State operating grant	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>151,000</u>	<u>151,000</u>	<u>71,393</u>	<u>(79,607)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public Works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	151,000	151,000	71,393	79,607
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>151,000</u>	<u>151,000</u>	<u>71,393</u>	<u>79,607</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,119</u>	<u>2,119</u>
<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.			40,000	
No adjustments for expenditures accruals.			(40,000)	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-18

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, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	430,200	430,200	423,083	(7,117)
Intergovernmental				
State capital grants	-	-	2,607	2,607
Investment income	120	120	2,477	2,357
<i>Total revenues</i>	<u>430,320</u>	<u>430,320</u>	<u>428,167</u>	<u>(2,153)</u>
<i>Expenditures:</i>				
Current:				
General government	500	500	444	56
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	331,500	337,500	324,223	13,277
Interest	217,300	217,300	212,742	4,558
<i>Total expenditures</i>	<u>549,300</u>	<u>555,300</u>	<u>537,409</u>	<u>17,891</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(118,980)</u>	<u>(124,980)</u>	<u>(109,242)</u>	<u>15,738</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	6,000	-	(6,000)
Transfers in	118,980	118,980	118,980	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>118,980</u>	<u>124,980</u>	<u>118,980</u>	<u>(6,000)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>9,738</u>	<u>9,738</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,366,118</u>	<u>1,366,118</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,856</u>	<u>\$ 1,375,856</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 9,738	
Adjustments to revenues for gross receipts tax accruals.			8,665	
No adjustments for expenditure accruals.			-	
Net change in fund balance (GAAP)			<u>\$ 18,403</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, 2014

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	\$ 6,794	\$ 25,384	\$ 32,178
Receivables			
Due from other governments	722	-	722
<i>Total current assets</i>	7,516	25,384	32,900
<i>Noncurrent assets</i>			
Capital assets	1,098,311	140,082	1,238,393
Accumulated depreciation	(346,127)	(18,734)	(364,861)
<i>Total noncurrent assets</i>	752,184	121,348	873,532
<i>Total assets</i>	\$ 759,700	\$ 146,732	\$ 906,432
<i>Liabilities and net position</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 2,317	\$ 654	\$ 2,971
<i>Total current liabilities</i>	2,317	654	2,971
<i>Net position</i>			
Net investment in capital assets	752,184	121,348	873,532
Unrestricted	5,199	24,730	29,929
<i>Total net position</i>	757,383	146,078	903,461
<i>Total liabilities and net position</i>	\$ 759,700	\$ 146,732	\$ 906,432

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, 2014

Statement C-2

	Business-Type Activities- Enterprise Funds		
	Golf Course Fund	Cemetery Fund	Total Nonmajor Enterprise Funds
<i>Operating revenues</i>			
Charges for services	\$ 8,657	\$ 11,864	\$ 20,521
<i>Total operating revenues</i>	8,657	11,864	20,521
<i>Operating expenses</i>			
General operating	64,247	8,616	72,863
Depreciation	17,117	4,789	21,906
<i>Total operating expenses</i>	81,364	13,405	94,769
<i>Operating income (loss)</i>	(72,707)	(1,541)	(74,248)
<i>Non-operating revenues (expenses)</i>			
Investment income	11	-	11
Miscellaneous income	1,623	-	1,623
<i>Total non-operating revenues (expenses)</i>	1,634	-	1,634
<i>Income (loss) before contributions and transfers</i>	(71,073)	(1,541)	(72,614)
Transfers in	107,232	-	107,232
Transfers out	(50,653)	-	(50,653)
<i>Change in net position</i>	(14,494)	(1,541)	(16,035)
<i>Net position - beginning</i>	771,877	147,619	919,496
<i>Net position - end of year</i>	\$ 757,383	\$ 146,078	\$ 903,461

The accompanying notes are an integral part of these financial statement

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**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2014

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	\$ 8,608	\$ 11,864	\$ 20,472
Cash payments to suppliers for goods and services	(68,173)	(8,696)	(76,869)
<i>Net cash provided (used) by operating activities</i>	<u>(59,565)</u>	<u>3,168</u>	<u>(56,397)</u>
<i>Cash flows from noncapital financing activities</i>			
Miscellaneous income	1,623	-	1,623
Transfers	56,579	-	56,579
<i>Net cash provided provided by noncapital financing activities</i>	<u>58,202</u>	<u>-</u>	<u>58,202</u>
<i>Cash flows from investing activities</i>			
Interest on investments	11	-	11
<i>Net cash provided by investing activities</i>	<u>11</u>	<u>-</u>	<u>11</u>
<i>Cash flows from capital and related financing activities</i>			
Acquisition of capital assets	(25,232)	-	(25,232)
<i>Net cash (used) by capital and related financing activities</i>	<u>(25,232)</u>	<u>-</u>	<u>(25,232)</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	(26,584)	3,168	(23,416)
<i>Cash and cash equivalents - beginning of year</i>	<u>33,378</u>	<u>22,216</u>	<u>55,594</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 6,794</u>	<u>\$ 25,384</u>	<u>\$ 32,178</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (72,707)	\$ (1,541)	(74,248)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	17,117	4,789	21,906
Changes in assets and liabilities			
Receivables	(49)	-	(49)
Accounts payable	(3,926)	(80)	(4,006)
<i>Net cash provided (used) by operating activities</i>	<u>\$ (59,565)</u>	<u>\$ 3,168</u>	<u>\$ (56,397)</u>

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
City of Truth or Consequences  
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, 2014

Statement D-1

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 10,176,120	\$ 10,176,120	\$ 9,720,072	\$ (456,048)
<i>Total operating revenues</i>	<u>10,176,120</u>	<u>10,176,120</u>	<u>9,720,072</u>	<u>(456,048)</u>
<i>Operating expenses:</i>				
General operating	6,181,393	6,646,844	6,731,234	(84,390)
Personnel services	1,921,721	1,901,686	1,773,027	128,659
<i>Total operating expenses</i>	<u>8,103,114</u>	<u>8,548,530</u>	<u>8,504,261</u>	<u>44,269</u>
<i>Operating income (loss)</i>	<u>2,073,006</u>	<u>1,627,590</u>	<u>1,215,811</u>	<u>(411,779)</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	(127,596)	(127,596)	(104,607)	22,989
Interest income	4,363	4,363	10,563	6,200
Miscellaneous income	-	-	1,680	1,680
<i>Total non-operating revenues (expenses)</i>	<u>(123,233)</u>	<u>(123,233)</u>	<u>(92,364)</u>	<u>30,869</u>
<i>Income (loss) before contributions and transfers</i>	<u>1,949,773</u>	<u>1,504,357</u>	<u>1,123,447</u>	<u>(380,910)</u>
Government contributions	170,000	181,750	176,893	(4,857)
Transfers	136,305	136,305	(1,878,858)	(2,015,163)
<i>Change in net position</i>	<u>(2,256,078)</u>	<u>(1,822,412)</u>	<u>(578,518)</u>	<u>(2,400,930)</u>
Designated cash	<u>2,256,078</u>	<u>1,822,412</u>	<u>-</u>	<u>(1,822,412)</u>
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>6,635,291</u>	<u>6,635,291</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,056,773</u>	<u>\$ 6,056,773</u>
Change in net position (non-GAAP budgetary basis)			\$ (578,518)	
Adjustments to revenues for charges for services accruals			(74,056)	
Adjustments to expenses for salaries and general operating expense accruals			470,458	
Depreciation			<u>(335,405)</u>	
Change in net position (GAAP)			<u>\$ (517,521)</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, 2014

Statement D-2

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)  Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ 7,500	\$ 7,500	5,611	\$ (1,889)
Charges for services	231,800	231,800	224,174	(7,626)
<i>Total operating revenues</i>	<u>239,300</u>	<u>239,300</u>	<u>229,785</u>	<u>(9,515)</u>
<i>Operating expenses:</i>				
General operating	1,233,770	1,233,884	447,203	786,681
Personnel services	81,899	81,785	62,626	19,159
<i>Total operating expenses</i>	<u>1,315,669</u>	<u>1,315,669</u>	<u>509,829</u>	<u>805,840</u>
<i>Operating income (loss)</i>	<u>(1,076,369)</u>	<u>(1,076,369)</u>	<u>(280,044)</u>	<u>796,325</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	20	20	26	6
Miscellaneous income	-	-	100	100
<i>Total non-operating revenues (expenses)</i>	<u>20</u>	<u>20</u>	<u>126</u>	<u>106</u>
<i>Income (loss) before contributions and transfers</i>	<u>(1,076,349)</u>	<u>(1,076,349)</u>	<u>(279,918)</u>	<u>796,431</u>
Government contributions	918,100	918,100	235,509	(682,591)
Transfers	108,000	108,000	108,000	-
<i>Change in net position</i>	50,249	50,249	63,591	113,840
Designated cash	(50,249)	(50,249)	-	(50,249)
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>100,279</u>	<u>100,279</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,870</u>	<u>\$ 163,870</u>
Change in net position (non-GAAP budgetary basis)			\$ 63,591	
Adjustments to revenues for transfers.			5,022	
Adjustments to expenses for general operating expense accruals.			263,878	
Depreciation			<u>(105,191)</u>	
Change in net position (GAAP)			<u>\$ 227,300</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, 2014

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 585,200	\$ 585,200	\$ 333,931	\$ (251,269)
<i>Total operating revenues</i>	<u>585,200</u>	<u>585,200</u>	<u>333,931</u>	<u>(251,269)</u>
<i>Operating expenses:</i>				
General operating	1,112,042	1,112,042	388,852	723,190
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>1,112,042</u>	<u>1,112,042</u>	<u>388,852</u>	<u>723,190</u>
<i>Operating income (loss)</i>	<u>(526,842)</u>	<u>(526,842)</u>	<u>(54,921)</u>	<u>471,921</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Interest income	25	25	272	247
Gross receipts taxes	-	-	4,273	4,273
Miscellaneous income	-	-	9,209	9,209
<i>Total non-operating revenues (expenses)</i>	<u>25</u>	<u>25</u>	<u>13,754</u>	<u>13,729</u>
<i>Income (loss) before contributions and transfers</i>	<u>(526,817)</u>	<u>(526,817)</u>	<u>(41,167)</u>	<u>485,650</u>
Transfers	-	-	(42,618)	(42,618)
<i>Change in net position</i>	<u>526,817</u>	<u>526,817</u>	<u>(83,785)</u>	<u>443,032</u>
Designated cash	<u>(526,817)</u>	<u>(526,817)</u>	<u>-</u>	<u>526,817</u>
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>651,900</u>	<u>651,900</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,115</u>	<u>\$ 568,115</u>
Change in net position (non-GAAP budgetary basis)			\$ (83,785)	
Adjustments to revenues for charges for services accruals.			465,013	
Adjustments to expenses for general operating expenses.			7,185	
Depreciation			<u>(75,253)</u>	
Change in net position (GAAP)			<u>\$ 313,160</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, 2014

Statement D-4

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 11,600	\$ 11,600	\$ 8,754	\$ (2,846)
<i>Total operating revenues</i>	<u>11,600</u>	<u>11,600</u>	<u>8,754</u>	<u>(2,846)</u>
<i>Operating expenses:</i>				
General operating	98,600	98,600	85,826	12,774
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>98,600</u>	<u>98,600</u>	<u>85,826</u>	<u>12,774</u>
<i>Operating income (loss)</i>	<u>(87,000)</u>	<u>(87,000)</u>	<u>(77,072)</u>	<u>9,928</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	8	8	11	3
Miscellaneous income	10,000	10,000	1,477	(8,523)
<i>Total non-operating revenues (expenses)</i>	<u>10,008</u>	<u>10,008</u>	<u>1,488</u>	<u>(8,520)</u>
<i>Income (loss) before contributions and transfers</i>	<u>(76,992)</u>	<u>(76,992)</u>	<u>(78,560)</u>	<u>18,448</u>
Transfers	82,000	82,000	49,000	(33,000)
<i>Change in net position</i>	(5,008)	(5,008)	(26,584)	(31,592)
Designated cash	5,008	5,008	-	5,008
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>33,378</u>	<u>33,378</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,794</u>	<u>\$ 6,794</u>
Change in net position (non-GAAP budgetary basis)			\$ (26,584)	
Adjustments to revenues for fees and gross receipts taxes.			25,281	
Adjustments to expenditures for general operating expense accruals.			3,926	
Depreciation			<u>(17,117)</u>	
Change in net position (GAAP)			<u>\$ (14,494)</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  
Cemetery Fund  
For the Year Ended June 30, 2014

Statement D-5

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 12,000	\$ 12,000	\$ 11,864	\$ (136)
<i>Total operating revenues</i>	<u>12,000</u>	<u>12,000</u>	<u>11,864</u>	<u>(136)</u>
<i>Operating expenses:</i>				
General operating	12,000	12,000	8,696	3,304
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>12,000</u>	<u>12,000</u>	<u>8,696</u>	<u>3,304</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>-</u>	<u>3,168</u>	<u>3,168</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>-</u>	<u>-</u>	<u>3,168</u>	<u>3,168</u>
Transfers	-	-	-	-
<i>Change in net position</i>	<u>-</u>	<u>-</u>	<u>3,168</u>	<u>3,168</u>
Designated cash	-	-	-	-
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>22,216</u>	<u>22,216</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,384</u>	<u>\$ 25,384</u>
Change in net position (non-GAAP budgetary basis)			\$ 3,168	
No adjustments for revenues accruals.			-	
Adjustments to expenses for general operating expenses accruals			80	
Depreciation			<u>(4,789)</u>	
Change in net position (GAAP)			<u>\$ (1,541)</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, 2014

Schedule I  
Page 1 of 2

Bank Name/ Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Totals
<b>Bank of the Southwest</b>					
General Fund	Demand Account	\$ 877,877	\$ 685	\$ 100	\$ 878,462
PD Bond Account	Demand Account	1,000	-	-	1,000
Pledge State Tax	Demand Account	100,462	-	-	100,462
State Fire Fund	Demand Account	222,526	-	-	222,526
Municipal Recreation	Demand Account	33,374	414	50	33,738
Court Cost	Demand Account	5,314	10	178	5,146
Law Enforcement	Demand Account	769	-	-	769
Police Department Donation	Demand Account	9,316	-	-	9,316
PD Confidential Fund	Demand Account	6,442	-	-	6,442
PD GRT Fund	Demand Account	84,506	-	-	84,506
Lodgers Tax	Demand Account	107,065	-	-	107,065
Special Appropriations Effluent Water	Demand Account	291,095	-	-	291,095
Joint Utility Income	Demand Account	2,677,851	47,119	969	2,724,001
Solid Waste Disposal	Demand Account	567,426	689	-	568,115
Golf Course	Demand Account	6,794	-	-	6,794
Airport Hanger	Demand Account	66,600	320	-	66,920
Street Renovation	Demand Account	110,508	-	-	110,508
Electrical Construction	Demand Account	79,092	-	-	79,092
Veteran's Wall	Demand Account	37,349	-	-	37,349
DWI HB108	Demand Account	4,017	-	-	4,017
DWI Fund	Demand Account	23	-	-	23
DWI-UA Screening Program	Demand Account	1,322	-	-	1,322
Senior Transportation	Demand Account	88,170	-	-	88,170
Veteran's Wall Perpetual Care	Demand Account	25,974	-	-	25,974
C I General	Demand Account	45,143	3	-	45,146
C I Joint Utility	Demand Account	136,661	-	429	136,232
Golf Course Improvement	Demand Account	16,600	-	-	16,600
Internal Services	Demand Account	61,513	-	-	61,513
JT Utility Emergency Repair Fund	Demand Account	49,938	-	-	49,938
FAA Project/Mun Airport	Demand Account	96,650	-	-	96,650
R & R Water Fund	Demand Account	8,690	-	-	8,690
CDBG Comprehensive	Demand Account	2,119	-	-	2,119
Capital Improvement Reserves	Time Account	799,851	-	-	799,851
Emergency Repair Reserves	Time Account	66,842	-	-	66,842
Wastewater Repair Reserves	Time Account	62,565	-	-	62,565
Electrical Construction Reserves	Time Account	60,499	-	-	60,499
Federal Seizure Share	Demand Account	2,453	-	-	2,453
Payroll Revolving Fund	Demand Account	130,782	-	117,375	13,407
Total Bank of the Southwest		<u>6,945,178</u>	<u>49,240</u>	<u>119,101</u>	<u>6,875,317</u>

See Independent Auditors' Report



**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Schedule of Deposit and Investment Accounts  
June 30, 2014

Schedule I  
Page 2 of 2

Bank Name/ Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Totals
<b>Compass Bank</b>					
Cemetery Fund	Demand account	\$ 25,384	\$ -	\$ -	\$ 25,384
Library Fund	Demand account	6,049	2	-	6,051
Pledged State	Certificate of Deposit	584,571	-	-	584,571
R & R Sewer	Certificate of Deposit	143,119	-	-	143,119
R & R Water	Certificate of Deposit	126,469	-	-	126,469
Emergency Repair Reserves	Certificate of Deposit	81,152	-	-	81,152
Waste Water Reserve	Certificate of Deposit	101,602	-	-	101,602
Electrical Construction Reserve	Certificate of Deposit	82,325	-	-	82,325
Capital Improvement Reserve	Certificate of Deposit	1,015,988	-	-	1,015,988
Total Compass Bank		<u>2,166,659</u>	<u>2</u>	<u>-</u>	<u>2,166,661</u>
<b>Bank of New York Mellon</b>					
Police Building - Reserve	U.S. Treasury Mutual Fund *	14,036	-	-	14,036
Police Building - Reserve	Time Account *	1,176	-	-	1,176
Police Building - St. Treas	Time Account *	6,123	-	-	6,123
1996 Refunding GRT & Impro Bond - Reserve	U.S. Treasury Mutual Fund *	245,424	-	-	245,424
1996 Refunding GRT & Impro Bond - Reserve	Time Account *	20,567	-	-	20,567
1996 Refunding GRT & Impro Bond	Time Account *	46,137	-	-	46,137
Storage Tanks	Time Account *	28,878	-	-	28,878
Upgrade Low Voltage Feeder Line	U.S. Treasury Mutual Fund *	116,444	-	-	116,444
Upgrade Low Voltage Feeder Line	Time Account *	9,758	-	-	9,758
Upgrade Low Voltage Feeder Line	Time Account *	45,726	-	-	45,726
Street Improvements - Reserve	U.S. Treasury Mutual Fund *	139,548	-	-	139,548
Street Improvements - Reserve	Time Account *	11,694	-	-	11,694
Street Improvements - St. Treas	Time Account *	26,647	-	-	26,647
Fire Pumper	U.S. Treasury Mutual Fund *	23	-	-	23
Fire Pumper	Time Account *	68	-	-	68
Street Improvements - Prg Funds	U.S. Treasury Mutual Fund *	20,989	-	-	20,989
Street Improvements - Prg Funds	Time Account *	60,763	-	-	60,763
Water Tanks - St. Treas	Time Account *	1,406	-	-	1,406
Water Tanks - Reserve	U.S. Treasury Mutual Fund *	7,676	-	-	7,676
Water Tanks - Reserve	Time Account *	643	-	-	643
WPF/WTB 60/40 #22 - grant	U.S. Treasury Mutual Fund *	16,432	-	-	16,432
WPF/WTB 60/40 #22 - grant	Time Account *	79,568	-	-	79,568
WPF/WTB 60/40 #22 - loan	U.S. Treasury Mutual Fund *	24,647	-	-	24,647
WPF/WTB 60/40 #22 - loan	Time Account *	39,353	-	-	39,353
Refunding 95, 96, 98 - St. Treas	Time Account *	15,465	-	-	15,465
Refunding 95, 96, 98 - Reserve	U.S. Treasury Mutual Fund *	84,475	-	-	84,475
Refunding 95, 96, 98 - Reserve	Time Account *	7,079	-	-	7,079
Total Bank of New York Mellon		<u>1,070,745</u>	<u>-</u>	<u>-</u>	<u>1,070,745</u>
Total Deposits and Investments		<u>\$10,182,582</u>	<u>\$49,242</u>	<u>\$ 119,101</u>	<u>\$ 10,112,723</u>
Add: Petty cash					968
Less: Restricted cash and cash equivalents per Exhibit A-1					(1,582,960)
Less: Investments per Exhibit A-1					(2,135,226)
Less: Restricted Investments per Exhibit A-1					<u>(669,694)</u>
Total unrestricted cash and cash equivalents per Exhibit A-1					<u>\$ 5,725,811</u>

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

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**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Schedule of Collateral Pledged By Depository  
For Public Funds  
June 30, 2014

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2014	Location of Safekeeper
<b>Bank of the Southwest</b>					
	GNMA II Pool #008466	7/20/2024		\$ 26,297	Federal Home Loan Bank, Dallas TX
	GNMA II Pool #080484	1/20/2031		13,546	Federal Home Loan Bank, Dallas TX
	Letter of Credit	6/17/2015		550,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	11/3/2014		500,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	11/3/2014		200,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	9/22/2014		1,150,000	Federal Home Loan Bank, Dallas TX
	Letter of Credit	12/3/2014		950,000	Federal Home Loan Bank, Dallas TX
	Total Bank of the Southwest			<u>3,389,843</u>	
<b>Compass Bank</b>					
	FNMA	1/25/2025	31398GLY3	111,188	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2025	31371MF93	5,596	Federal Home Loan Bank, Irving TX
	GNMA	5/15/2029	36213M5Q7	52,724	Federal Home Loan Bank, Irving TX
	FNMA	11/1/2031	31388YET5	102,208	Federal Home Loan Bank, Irving TX
	FNMA	11/1/2031	31388YET5	4,088	Federal Home Loan Bank, Irving TX
	FNMA	11/1/2032	31391T2G2	22,302	Federal Home Loan Bank, Irving TX
	FNMA	3/1/2033	31400SFX2	245,969	Federal Home Loan Bank, Irving TX
	FNMA	3/1/2033	31400SFX2	28,696	Federal Home Loan Bank, Irving TX
	FNMA	5/1/2033	31401MKT7	169,262	Federal Home Loan Bank, Irving TX
	FHLMC	10/1/2033	31349SC92	93,986	Federal Home Loan Bank, Irving TX
	FHLMC	5/1/2037	31300LL60	694,418	Federal Home Loan Bank, Irving TX
	FNMA	8/1/2035	31407CK97	64,819	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2035	31403CZ79	28,683	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2035	31300LJA4	8,257	Federal Home Loan Bank, Irving TX
	FNMA	7/1/2036	31410DWD8	177,472	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2036	31407RLD4	79,941	Federal Home Loan Bank, Irving TX
	FNMA	9/1/2036	31407RLD4	16,488	Federal Home Loan Bank, Irving TX
	FNMA	9/25/2036	31396KM33	6,282	Federal Home Loan Bank, Irving TX
	FNMA	9/25/2036	31396KM33	23,557	Federal Home Loan Bank, Irving TX
	FNMA	9/25/2036	31396KM33	31,409	Federal Home Loan Bank, Irving TX
	FNMA	1/1/2037	3128S5JZ8	41,943	Federal Home Loan Bank, Irving TX
	FNMA	3/1/2037	3138EG5Y6	16,666	Federal Home Loan Bank, Irving TX
	GNR	7/20/2040	38377TMQ1	31,564	Federal Home Loan Bank, Irving TX
	GNR	7/20/2040	38377TMQ1	14,029	Federal Home Loan Bank, Irving TX
	GNR	7/20/2040	38377TMQ1	8,768	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2040	3138A5CK6	30,135	Federal Home Loan Bank, Irving TX
	FNMA	12/1/2041	3138E06L8	102,767	Federal Home Loan Bank, Irving TX
	FNMA	12/15/2046	36200KGJ0	108,278	Federal Home Loan Bank, Irving TX
	FNMA	12/15/2046	36200KGJ0	29,530	Federal Home Loan Bank, Irving TX
	Total Compass Bank			<u>2,351,025</u>	
	Total Pledged Collateral			<u>\$ 5,740,868</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 and  
The Truth or Consequences City Commission Members  
City of Truth or Consequences  
Truth or Consequences, New Mexico

We have audited, in accordance with the 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, 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 of the City of Truth or Consequences, New Mexico (the City) as of and for the year ended June 30, 2014, 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 supplementary information, and have issued our report thereon dated November 20, 2014. 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 responses, 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 a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS 2011-001, FS 2012-003, and FS 2013-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item FS 2009-002 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items FS 2014-001, FS 2014-002, FS 2014-003, 2014-001, and 2014-002.

## **The City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 not to provide an opinion on the effectiveness of the City's internal control or on 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, NM  
November 20, 2014

**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         |

**Section II – Prior Year Audit Findings**

**Prior Year Audit Findings**

**Financial Statement Findings**

- FS 2009-002 (FS 2009-02) - Capital Assets- Inventory Control Number - Repeated  
 FS 2011-001 (FS 2011-01) - Design and Deficiencies in Internal Control over Financial Reporting - Repeated and Modified  
 FS 2012-003 (FS 2012-03) - Capital Asset Accounting System and Disposition - Repeated and Modified  
 FS 2013-001 - Adjustments to Client Provided Information – Resolved  
 FS 2013-002 - Inventory Control – Repeated and Modified

**Component Unit Finding**

- 2013-1 - Contracting for Audit Services – Resolved  
 2013-2 - Inter-fund Transaction Reconciliation - Resolved



**Section III – Findings - Financial Statement Audit- Primary Government**

**FS 2009-002 (FS 2009-02) Capital Assets – Inventory Control Numbers (Repeated) (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 has contracted with an independent audit firm to assist the City with developing and implementing new accounting procedures for tagging capital assets.

**Section III – Findings - Financial Statement Audit- Primary Government (continued)**

**FS 2011-001 (FS 2011-01) Design Deficiencies in Internal Control over Financial Reporting (Repeated/Modified) (Material Weakness)**

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

- 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.
- Lack of segregation of duties, as the payroll clerk and human resources clerk share the same permissions and access in the system and are back-ups for each other.
- Management does not review payroll reports for accuracy or irregularities.
- Time sheet review is being done only by the person who also enters the time sheet.
- 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 established practices for the identification of risks affecting the entity however, they have not established practices for identifying internal control risks.

*Criteria:* The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring.

*Effect:* Without all of the five elements of the COSO framework present, the City is exposing itself to the risk of misappropriation of assets and does not have set processes in place to maximize the resources of the City.

*Cause:* The City has experienced turnover within certain departments and the implementation of the COSO internal control framework regarding the achievement of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations has been a challenge. The City has also not performed a formalized and documented risk assessment process for those key controls in place to prevent and detect error or fraud.

*Auditors' Recommendations:* We recommend that the City incorporate the five elements of the COSO internal control integrated framework in their organization. In particular, there must be a documented risk assessment process in place, there should be a mechanism in place to document the monitoring of the internal controls in place and the control environment must promote the highest ethical standards and efficient and effective path towards achieving the City's goals. We recommend that internal controls be addressed at both the entity level and activity level. We also recommend that key management personnel attend a training class on internal control.

*Agency's Response:* The City Manager and Finance Department staff will review the noted material weaknesses per the above audit finding and recommend new or policy changes to correct the internal control deficient. The City has contracted with an independent audit firm to assist in development of internal controls.

**Section III – Findings - Financial Statement Audit- Primary Government (continued)**

**FS 2012-003 (FS 2012-03) Capital Assets (Repeated/Modified) (Material Weakness)**

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

- The City understated capital asset additions in the amount of \$492,801. The following assets were additions to the City, but were not added to the fixed assets listing: E-One Fire Pumper Truck for 226,402 (general government), 5-LG AC/Heating units for \$10,572 (general government), 2 Dodge Caravans total for \$48,332, Digger Derrick Truck for \$183,609 (joint utility), and Collection Center additions for \$23,886 (solid waste)
- The City incorrectly listed land, which had already been owned by the City, as an addition in the current year in the amount of \$2,505,657.
- The City incorrectly listed landfill closures as construction in progress in the amount of \$31,188.
- 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 has contracted with an independent audit firm to assist the City with developing and implementing new accounting procedures for accounting of capital assets.

**Section III – Findings - Financial Statement Audit- Primary Government (continued)**

**FS 2013-002 Inventory Control (Repeated/Modified) (Material Weakness)**

*Condition:* During walk-through and observation procedures performed over locations in which inventory of the City is held, the following was noted:

- In prior years, the City was including capital assets in the consumable inventory listing. Inventory has been restated in the current year in the amount of \$1,179,474 to remove capital assets from the solid waste consumable inventory.
- In 8 out of 19 items tested for the proprietary activity inventory, the count was incorrect. The net misstatement was an overstatement of \$4,567.
- In 2 out of 14 items tested for the governmental activity inventory, the count was incorrect. The net misstatement was an overstatement of \$110.
- Controls over the use of inventory are very weak and in some cases non-existent.

*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 review the above audit finding and recommend new or policy changes to correct the inventory procedures. The City has contracted with an independent audit firm to assist in developing the proper procedures.

**Section III – Findings - Financial Statement Audit- Primary Government (continued)**

**FS 2014-001 Stale Dated Transactions Not Cancelled (Other Matter)**

*Condition:* The City is in violation of state statutes regarding stale-dated checks. The City had checks over one year old at June 30, 2014 in the following accounts:

- General Fund account had 1 stale dated check for \$100
- Municipal Recreation account had 1 stale dated check for \$50
- Joint Utility Income account had 10 stale dated checks for a total amount of \$969
- Payroll Revolving account had 23 stale dated checks for a total amount of \$1,645

*Criteria:* New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation, requires local public bodies to cancel or void any checks that are unpaid for one year after it is written. The City has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

*Effect:* The City's cash balance may be misstated by the amount of the stale checks.

*Cause:* The City overlooked the stale-dated checks.

*Auditors' Recommendation:* We recommend that the outstanding checks be voided as soon as possible and that a procedure to track and void stale dated checks be implemented. We also recommend that the City remit the stale-dated check funds to the New Mexico Taxation and Revenue Department. We also recommend the City reviews banks reconciliations timely to capture checks that are considered stale dated.

*Agency's Response:* The City Manager and Finance Department staff will review the audit finding and recommend new policy to cancel stale check in accordance to NMSA

**FS 2014-002 Late Payment of Payroll Taxes (Other Matter)**

*Condition:* During our walkthrough and review of the payroll transaction cycle, we noted that the City failed to make a timely payment to the IRS for the 2013 3<sup>rd</sup> quarter federal tax deposit in the amount of \$30,771. This payment was not made until March 2014. The City has been assessed a penalty of \$9,847 and interest of \$259 for the late payment.

*Criteria:* IRS Publication 15, Circular E Employer's Tax Guide, employers must deposit social security, medicare, and withheld income taxes either monthly or semiweekly.

*Effect:* The City is susceptible to penalties, in addition susceptible to the risk of fraud due to the lack of review.

*Cause:* Management is not properly reviewing payroll to verify payroll process is being followed and completed.

*Auditors' Recommendation:* The City should design payroll internal controls, which should include management review, to verify that all federal tax payments are done on time.

*Agency's Response:* The City Manager and Finance Department staff will review the audit finding and develop internal policy and procedures to properly review payroll payments and deposits.

**Section III – Findings - Financial Statement Audit- Primary Government (continued)**

**FS 2014-003 Internal Controls over Travel and Per Diem (Other Matter)**

*Condition:* During our testwork of travel and per diem, we noted the following:

- 1 out of 5 items tested, the City did not receive a detail receipt for a meal purchase.

*Criteria:* According to NMAC 2.42.2.9(A) upon written request of public officer or employee where overnight lodging is required, the public officer or employee will be reimbursed. (2) Actual reimbursement for meals: Actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 to a maximum of \$30.00 for in-state travel for a 24-hour period. (3) Receipts required- The public officer or employee must submit receipts for the actual meal and lodging expenses incurred.

*Effect:* Without proper supporting documentation, or proper review of documentation, to ensure proper reimbursement, the risk of misuse or unauthorized purchases is high.

*Cause:* There was a management oversight in internal controls when processing this reimbursement.

*Auditors' Recommendation:* We recommend that the City follow the City's policies in place while processing travel and per diem transactions in order to comply with NMAC 2.42.2.9.

*Agency's Response:* The City Manager and Finance Department staff will review the audit finding and recommend changes to existing Per Diem policy to address necessary documentation required prior to reimbursement.

**Section IV – Findings – Component Unit**

**Financial Statement Audit**

**2014-001 Maintenance of Personnel Records (Other)**

*Condition:* In a test of 22 files, we noted 5 instances where the federal form I-9 was not complete.

*Criteria:* Federal regulations require that I-9s, the citizenship declaration for employees, be maintained for all employees, and that this form contain the appropriate evidence of citizenship.

*Effect:* Federal regulations have been violated, and there is an increased likelihood of employing non-qualified personnel. In addition, the Authority is subject to significant penalties should the I-9s be inspected and found to be incomplete.

*Cause:* The I-9 form is extensive, and requires several sections to be completed, increasing the likelihood that personnel will not complete the form in its entirety.

*Auditors' Recommendation:* We recommend that the Authority review its I-9s, and insure that all are completed in their entirety. In addition, a secondary supervisory review should be implemented to review newly completed I-9s.

*Agency's Response:* The I-9s in question will be completed, and supervisory personnel will be involved in the process.

**Federal Awards**

**2014-002 Section 8 Housing Choice Vouchers (Other)**

CFDA No. 14.871  
Grant No. NM020  
Grant period-Year ended June 30, 2014

*Condition:* In a review of 34 applicant files, we noted the following:

- 11 files did not contain citizenship declarations
- 4 files did not contain the fingerprint/ background check
- 4 files did not contain the lead-based paint declaration
- 4 files did not contain all sex offender search criterion

*Criteria:* Federal regulations require that citizenship declarations, fingerprint/background checks, lead based paint declarations and sex offender search data be included in each applicant file.

*Effect:* There is an increased likelihood that ineligible clients will be admitted to the program, and federal regulations have been violated.

*Cause:* File reviews did not reveal the missing information.

*Auditors' Recommendation:* We recommend that the files be reviewed and updated to contain all required information.

*Agency's Response:* A file review and update system is already in place, and will be emphasized in the future, to insure that all files are complete.

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**STATE OF NEW MEXICO**  
City of Truth or Consequences  
Other Disclosures  
June 30, 2014

**Exit Conference**

An exit conference was held on November 20, 2014. In attendance were the following:

**Representing the City of Truth or Consequences:**

Sandra Whitehead  
Juan Fuentes

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.