



State of New Mexico
City of
Truth or Consequences
Annual Financial Report
June 30, 2015

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
City of Truth or Consequences
Table of Contents
June 30, 2015

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		4-5
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		9-11
BASIC FINANCIAL STATEMENTS		
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	24-27
Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds	D-2	28-29
Statement of Cash Flows –Proprietary Funds	D-3	30-31
NOTES TO THE FINANCIAL STATEMENTS		32-65
	<u>Statement/ Schedule</u>	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of the City's Proportionate Share of the Net Pension Liability	I	68-69
Schedule of City's Contributions	II	70-71
Notes to Required Supplementary Information		72
SUPPLEMENTARY INFORMATION		
Nonmajor Governmental and Proprietary Fund Descriptions		74-75
Combining And Individual Fund Statements And Schedules		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	76-79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	80-83
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Fire Protection Special Revenue Fund	B-1	84
Recreation Fund Special Revenue Fund	B-2	85
Correction Fees Special Revenue Fund	B-3	86
Law Enforcement Protection Special Revenue Fund	B-4	87
Police Department GRT Fund Special Revenue Fund	B-5	88
Lodger's Tax Special Revenue Fund	B-6	89
Municipal Streets Fund Special Revenue Fund	B-7	90
Municipal Pool Special Revenue Fund	B-8	91
State Library Special Revenue Fund	B-9	92
Veteran's Wall Perpetual Care Special Revenue Fund	B-10	93

STATE OF NEW MEXICO
City of Truth or Consequences
Table of Contents
June 30, 2015

	<u>Statement/ Schedule</u>	<u>Page</u>
SUPPLEMENTARY INFORMATION (continued)		
Combining and Individual Fund Statements and Schedules (continued)		
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	94
Senior Transportation Capital Projects Fund	B-12	95
Capital Expenditures Capital Projects Fund	B-13	96
Golf Course Improvements Capital Projects Fund	B-14	97
USDA Street Sweeper Capital Projects Fund	B-15	98
USDA WWTP Capital Projects Fund	B-16	99
R & R Emergency Capital Projects Fund	B-17	100
Veteran’s Wall Capital Projects Fund	B-18	101
CDBG Project Capital Projects Fund	B-19	102
Debt Service Fund	B-20	103
Combining Statement of Net Position-Nonmajor Proprietary Funds	C-1	104
Combining Statement of Revenues, Expenses and Changes in Net Position-Nonmajor Proprietary Funds	C-2	105
Combining Statement of Cash Flows –Nonmajor Proprietary Funds	C-3	106
Statement of Revenues, Expenses and Changes in Net Position Budget (Non-GAAP Budgetary Basis) and Actual -		
Joint Utility Fund	D-1	107
Airport Fund	D-2	108
Solid Waste Fund	D-3	109
Golf Course Fund	D-4	110
Cemetery Fund	D-5	111
SUPPORTING SCHEDULES		
Schedule of Deposit and Investment Accounts	III	114-115
Schedule of Collateral Pledged By Depository for Public Funds	IV	117
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)	V	118-119
COMPLIANCE SECTION		
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>		122-123
Schedule of Findings and Responses	VI	124-133
OTHER DISCLOSURE		134

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STATE OF NEW MEXICO
City of Truth or Consequences
Official Roster
June 30, 2015

<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
Russ Peterson		City Commissioner

Administration

Juan Fuentes		City Manager
Leo Silva		Finance Director (until July 2014)
Lori Montgomery		Finance Director (starting July 2015)
Judy Harris		City Clerk (until August 2015)
Renee Cantin		City Clerk (starting October 2015)
Judge B. Sanders		Municipal Judge
Jay Rubin		City Attorney

Housing Authority

Greg D'Amour		Chairman
LeeAnn Tooley		Vice-Chairman
Earl Greeg		Commissioner
Dan Mena		Commissioner
Steven Rice		Executive Director

FINANCIAL SECTION



Accounting & Consulting Group_{LLP}
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Timothy Keller
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, 2015, 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 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, 2015, 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 13 percent, 12 percent, and 13 percent, respectively, of the assets and deferred outflows of resources, 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. Because of the matter described in the 'Basis for Qualified Opinion' paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the City's Joint Utility Fund accounts receivable and revenue.

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.

Basis for Qualified Opinion on the Revenues and Accounts Receivable of the Joint Utility Fund of the Business-type Activities Financial Statements

Material weaknesses in internal controls over the financial close and the reporting process of the Joint Utility accounts receivables, in combination with, not obtaining sufficient audit evidence of balances presented as of June 30, 2015, has not allowed us to gain reasonable assurance as to whether the accounts receivable, allowance for uncollectable accounts, and changes in net position of the Joint Utility business-type activities of the City are presented fairly, in all material respects. The amount by which this departure would affect the ending assets, ending net position, and revenues of the business-type activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the ‘Basis for Qualified Opinion on the Revenues and Accounts Receivable of the Joint Utility Fund of the Business-type Activities Financial Statements’ paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the Joint Utility Fund of the City, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund other than the Joint Utility Fund and the aggregate remaining fund information of the City, as of June 30, 2015, 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 each nonmajor enterprise fund of the City as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the proprietary funds, 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 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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.

Accounting principles generally accepted in the United States of America requires the Schedules I and II and the notes to the Required Supplementary Information on pages 68 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 *Supporting Schedules III through V required by 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 III through IV 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 III through IV required by Section 2.2.2 NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and Schedule V have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 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
December 7, 2015

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Net Position
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,431,314	\$ 2,884,782	\$ 5,316,096	\$ 933,787
Investments	684,869	3,254,192	3,939,061	-
Receivables:				
Property taxes	23,362	-	23,362	-
Other taxes	554,356	-	554,356	-
Charges for services, net	-	640,639	640,639	-
Due from other governments	531	47,161	47,692	-
Miscellaneous receivables	7,483	11,311	18,794	-
Due from tenants	-	-	-	273,838
Inventory	79,508	601,511	681,019	3,355
Total Current Assets	3,781,423	7,439,596	11,221,019	1,210,980
Noncurrent Assets				
Restricted cash and cash equivalents	423,398	1,271,444	1,694,842	263,915
Restricted investments	546,791	151,912	698,703	-
Capital assets	19,215,582	24,820,991	44,036,573	8,542,196
Less: accumulated depreciation	(8,847,297)	(11,471,932)	(20,319,229)	(5,400,230)
Total Noncurrent Assets	11,338,474	14,772,415	26,110,889	3,405,881
Total Assets	15,119,897	22,212,011	37,331,908	4,616,861
Deferred outflows of resources				
Employer contributions subsequent to the measurement date	256,188	94,606	350,794	113,137
Total deferred outflows of resources	256,188	94,606	350,794	113,137
Total assets and deferred outflows of resources	\$ 15,376,085	\$ 22,306,617	\$ 37,682,702	\$ 4,729,998

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities, deferred inflows of resources, and net position				
Current liabilities				
Accounts payable	\$ 132,684	\$ 482,543	\$ 615,227	\$ 21,605
Accrued payroll	271,260	76,096	347,356	74,861
Accrued compensated absences	154,712	60,264	214,976	-
Customer deposits	-	201,199	201,199	-
Accrued interest	21,527	20,201	41,728	791
Tenant deposits	-	-	-	41,221
FSS deposits	-	-	-	77,405
Accrued resident expenses (FSS ROSS deposits)	-	-	-	6,014
Unearned revenue	-	-	-	622
Current portion of long-term debt	793,757	406,794	1,200,551	36,247
Total current liabilities	<u>1,373,940</u>	<u>1,247,097</u>	<u>2,621,037</u>	<u>258,766</u>
Noncurrent liabilities				
Accrued compensated absences	52,568	30,959	83,527	32,362
Accrued landfill closure costs	-	800,004	800,004	-
Bonds and notes payable	3,816,468	4,189,511	8,005,979	885,634
Net pension liability	2,600,815	960,438	3,561,253	766,065
Total noncurrent liabilities	<u>6,469,851</u>	<u>5,980,912</u>	<u>12,450,763</u>	<u>1,684,061</u>
Total liabilities	<u>7,843,791</u>	<u>7,228,009</u>	<u>15,071,800</u>	<u>1,942,827</u>
Deferred inflows of resources				
Changes of assumptions	58,492	21,600	80,092	519
Net difference between projected and actual earnings on pension plan investments	1,003,858	370,708	1,374,566	299,705
Total deferred inflows of resources	<u>1,062,350</u>	<u>392,308</u>	<u>1,454,658</u>	<u>300,224</u>
Net position				
Net investment in capital assets	5,758,060	8,752,754	14,510,814	2,220,085
Restricted for:				
Debt service	1,446,138	350,642	1,796,780	-
Capital projects	511,070	-	511,070	-
Special revenue	1,002,580	-	1,002,580	-
Housing assistance payments	-	-	-	136,566
Unrestricted	(2,247,904)	5,582,904	3,335,000	130,296
Total net position	<u>6,469,944</u>	<u>14,686,300</u>	<u>21,156,244</u>	<u>2,486,947</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 15,376,085</u>	<u>\$ 22,306,617</u>	<u>\$ 37,682,702</u>	<u>\$ 4,729,998</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
General government	\$ 1,951,824	\$ 136,840	\$ 756,856	\$ 4,722
Public safety	1,771,118	64,129	283,770	-
Public works	1,472,846	-	40,663	93,500
Culture and recreation	652,341	21,941	16,974	-
Health and welfare	264,398	1,550	-	-
Interest on long-term debt	168,647	-	-	-
<i>Total governmental activities</i>	<u>6,281,174</u>	<u>224,460</u>	<u>1,098,263</u>	<u>98,222</u>
Business-type Activities:				
Joint Utility	7,013,675	9,077,525	-	31,498
Solid Waste	742,874	539,809	-	-
Airport	515,802	208,548	45,227	83,637
Cemetery	12,010	10,590	-	-
Golf Course	101,352	6,921	-	-
<i>Total business-type activities</i>	<u>8,385,713</u>	<u>9,843,393</u>	<u>45,227</u>	<u>115,135</u>
<i>Total primary government</i>	<u>\$ 14,666,887</u>	<u>\$ 10,067,853</u>	<u>\$ 1,143,490</u>	<u>\$ 213,357</u>
Component Unit:				
Housing Authority	<u>\$ 2,004,289</u>	<u>\$ 559,260</u>	<u>\$ 1,483,361</u>	<u>\$ -</u>

General revenues and transfers:

Taxes

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Investment income

Miscellaneous revenue

Gain (loss) on disposition of assets

Transfers related to capital assets (note 6)

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, restatement (note 19)

Net position, as restated

Net position, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,053,406)	\$ -	\$ (1,053,406)	\$ -
(1,423,219)	-	(1,423,219)	-
(1,338,683)	-	(1,338,683)	-
(613,426)	-	(613,426)	-
(262,848)	-	(262,848)	-
(168,647)	-	(168,647)	-
<u>(4,860,229)</u>	<u>-</u>	<u>(4,860,229)</u>	<u>-</u>
-	2,095,348	2,095,348	-
-	(203,065)	(203,065)	-
-	(178,390)	(178,390)	-
-	(1,420)	(1,420)	-
-	(94,431)	(94,431)	-
<u>-</u>	<u>1,618,042</u>	<u>1,618,042</u>	<u>-</u>
<u>(4,860,229)</u>	<u>1,618,042</u>	<u>(3,242,187)</u>	<u>-</u>
-	-	-	38,332
155,210	-	155,210	-
3,199,679	16,655	3,216,334	-
79,148	-	79,148	-
315,186	-	315,186	-
1,133	6,586	7,719	-
10,402	9,939	20,341	1,089
-	51,326	51,326	-
(565,334)	565,334	-	-
<u>1,268,030</u>	<u>(1,268,030)</u>	<u>-</u>	<u>-</u>
<u>4,463,454</u>	<u>(618,190)</u>	<u>3,845,264</u>	<u>1,089</u>
<u>(396,775)</u>	<u>999,852</u>	<u>603,077</u>	<u>39,421</u>
9,446,701	12,669,490	22,116,191	3,432,363
<u>(2,579,982)</u>	<u>1,016,958</u>	<u>(1,563,024)</u>	<u>(984,837)</u>
<u>6,866,719</u>	<u>13,686,448</u>	<u>20,553,167</u>	<u>2,447,526</u>
<u>\$ 6,469,944</u>	<u>\$ 14,686,300</u>	<u>\$ 21,156,244</u>	<u>\$ 2,486,947</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Balance Sheet
Governmental Funds
June 30, 2015

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	\$ 997,397	\$ 116,429	\$ 1,258,516	\$ 2,372,342
Restricted cash and cash equivalents	6,582	164,185	252,631	423,398
Investments	100,006	584,863	-	684,869
Restricted investments	14,889	531,902	-	546,791
Receivables:				
Property taxes	23,362	-	-	23,362
Other taxes	444,324	70,286	39,746	554,356
Due from other governments	531	-	-	531
Miscellaneous receivables	4,158	-	3,325	7,483
Inventory	76,505	-	3,003	79,508
<i>Total assets</i>	<u>\$ 1,667,754</u>	<u>\$ 1,467,665</u>	<u>\$ 1,557,221</u>	<u>\$ 4,692,640</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
Accounts payable	\$ 88,893	\$ -	\$ 43,791	\$ 132,684
Accrued payroll	266,379	-	4,881	271,260
<i>Total liabilities</i>	<u>355,272</u>	<u>-</u>	<u>48,672</u>	<u>403,944</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	14,936	-	-	14,936
<i>Total deferred inflows of resources</i>	<u>14,936</u>	<u>-</u>	<u>-</u>	<u>14,936</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	76,505	-	3,003	79,508
Spendable				
Restricted for:				
Public safety	-	-	198,976	198,976
Culture and recreation	-	-	254,422	254,422
Transportation and roads	-	-	243,982	243,982
Fire protection	-	-	273,644	273,644
Veteran's Wall	-	-	73,643	73,643
Debt service expenditures	-	1,467,665	-	1,467,665
Capital projects	-	-	464,951	464,951
Committed to:				
Minimum fund balance	388,662	-	-	388,662
Subsequent year's expenditures	384,657	-	-	384,657
Unassigned	447,722	-	(4,072)	443,650
<i>Total fund balances</i>	<u>1,297,546</u>	<u>1,467,665</u>	<u>1,508,549</u>	<u>4,273,760</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,667,754</u>	<u>\$ 1,467,665</u>	<u>\$ 1,557,221</u>	<u>\$ 4,692,640</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, 2015

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

Fund balances - total governmental funds	\$ 4,273,760
Residual balances of the internal service funds are included within the governmental activities and are not reported within the governmental funds	58,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,368,285
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	14,936
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds	
Deferred outflows of resources related to employer contributions subsequent to the measurement date	256,188
Deferred inflows of resources related to changes in assumptions	(58,492)
Deferred inflows of resources related to projected and actual earnings on pension plan investments	(1,003,858)
Certain liabilities, including bonds payable and related components, the net pension liability, 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	(21,527)
Current portion of accrued compensated absences	(154,712)
Long-term portion of accrued compensated absences	(52,568)
Bonds and notes payable	(4,610,225)
Net pension liability	(2,600,815)
Net position of governmental activities	\$ 6,469,944

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, 2015

Exhibit B-2
Page 1 of 2

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<i>Revenues</i>				
Taxes:				
Property	\$ 163,673	\$ -	\$ -	\$ 163,673
Gross receipts	2,642,546	428,695	128,438	3,199,679
Gasoline and motor vehicle	20,918	-	58,230	79,148
Other	70,037	-	245,149	315,186
Intergovernmental				
Federal capital grants	-	-	93,500	93,500
State operating grants	733,734	-	381,407	1,115,141
State capital grants	-	4,722	-	4,722
Charges for services	68,342	-	88,931	157,273
Licenses and fees	49,872	-	-	49,872
Investment income	344	360	429	1,133
Miscellaneous	7,023	-	3,379	10,402
<i>Total revenues</i>	<u>3,756,489</u>	<u>433,777</u>	<u>999,463</u>	<u>5,189,729</u>
<i>Expenditures</i>				
Current:				
General government	1,318,543	410	227,504	1,546,457
Public safety	1,589,848	-	246,648	1,836,496
Public works	1,165,659	-	351,223	1,516,882
Culture and recreation	382,290	-	201,180	583,470
Health and welfare	264,398	-	-	264,398
Capital outlay	-	-	140,252	140,252
Debt service:				
Principal	-	279,875	-	279,875
Interest	-	163,850	-	163,850
<i>Total expenditures</i>	<u>4,720,738</u>	<u>444,135</u>	<u>1,166,807</u>	<u>6,331,680</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(964,249)</u>	<u>(10,358)</u>	<u>(167,344)</u>	<u>(1,141,951)</u>
<i>Other financing sources (uses)</i>				
Loan proceeds	-	-	505,117	505,117
Transfers in	1,375,000	142,520	506,422	2,023,942
Transfers out	(557,578)	(118,450)	(79,884)	(755,912)
Transfers out - current capital expenditures	-	-	(265,342)	(265,342)
<i>Total other financing sources (uses)</i>	<u>817,422</u>	<u>24,070</u>	<u>666,313</u>	<u>1,507,805</u>
<i>Net change in fund balance</i>	(146,827)	13,712	498,969	365,854
<i>Fund balance - beginning of year</i>	<u>1,444,373</u>	<u>1,453,953</u>	<u>1,009,580</u>	<u>3,907,906</u>
<i>Fund balance - end of year</i>	<u>\$ 1,297,546</u>	<u>\$ 1,467,665</u>	<u>\$ 1,508,549</u>	<u>\$ 4,273,760</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, 2015

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	\$	365,854
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Change in net position of internal service funds		(2,541)
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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		140,252
Depreciation expense		(477,393)
Transfers related to capital assets, not from current year expenditures		(299,992)

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		(8,463)
Change in unavailable revenue related to grants		(16,878)

Governmental funds report City pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

City pension contributions		256,188
Pension expense		(126,418)

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

Change in accrued compensated absences not due and payable		2,655
Change in accrued interest		(4,797)

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:

Loan proceeds from the issuance debt		(505,117)
Principal payments on loans and notes payable		279,875

Change in net position of governmental activities	\$	<u><u>(396,775)</u></u>
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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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
<i>Taxes</i>				
Property	\$ 166,000	\$ 166,000	\$ 163,818	\$ (2,182)
Gross receipts	2,594,000	2,594,000	2,718,384	124,384
Gasoline and motor vehicle	21,000	21,000	22,419	1,419
Other	75,038	75,038	72,631	(2,407)
<i>Intergovernmental income:</i>				
State operating grant	563,197	564,897	789,285	224,388
Charges for services	60,300	63,300	67,957	4,657
Licenses and fees	58,800	80,800	71,532	(9,268)
Investment income	257	257	344	87
Miscellaneous	1,460	5,875	7,002	1,127
<i>Total revenues</i>	<u>3,540,052</u>	<u>3,571,167</u>	<u>3,913,372</u>	<u>342,205</u>
<i>Expenditures</i>				
<i>Current:</i>				
General government	1,443,373	1,442,993	1,182,235	260,758
Public safety	1,580,753	1,580,753	1,538,558	42,195
Public works	1,293,529	1,293,990	1,170,752	123,238
Culture and recreation	421,113	420,932	382,443	38,489
Health and welfare	256,000	273,000	268,005	4,995
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>4,994,768</u>	<u>5,011,668</u>	<u>4,541,993</u>	<u>469,675</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,454,716)</u>	<u>(1,440,501)</u>	<u>(628,621)</u>	<u>811,880</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	393,544	382,329	-	(382,329)
Transfers in	1,700,000	1,700,000	1,375,000	(325,000)
Transfers out	(638,828)	(641,828)	(557,578)	84,250
<i>Total other financing sources (uses)</i>	<u>1,454,716</u>	<u>1,440,501</u>	<u>817,422</u>	<u>(623,079)</u>
<i>Net change in fund balance</i>	-	-	188,801	188,801
<i>Fund balance - beginning of year</i>	-	-	930,073	930,073
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,118,874</u>	<u>\$ 1,118,874</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 188,801	
Adjustments to revenues for property taxes and state operating grants.			(156,883)	
Adjustments to expenditures for salaries and operating expenses.			(178,745)	
Net change in fund balance (GAAP)			<u>\$ (146,827)</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, 2015

	Business-Type Activities - Enterprise Funds		
	Joint Utility Fund	Airport Fund	Solid Waste Fund
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 1,974,062	\$ 107,786	\$ 763,598
Investments	3,254,192	-	-
Receivables			
Charges for services, net	632,771	2,321	1,025
Due from other governments	-	47,161	-
Miscellaneous receivables	-	-	11,311
Inventory	559,091	42,420	-
<i>Total current assets</i>	<u>6,420,116</u>	<u>199,688</u>	<u>775,934</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	1,271,444	-	-
Restricted investment	151,912	-	-
Capital assets	16,469,115	3,594,960	3,423,635
Accumulated depreciation	(8,207,077)	(1,026,362)	(1,803,877)
<i>Total noncurrent assets</i>	<u>9,685,394</u>	<u>2,568,598</u>	<u>1,619,758</u>
<i>Total assets</i>	<u>16,105,510</u>	<u>2,768,286</u>	<u>2,395,692</u>
<i>Deferred outflows of resources</i>			
Employer contributions subsequent to the measurement date	90,277	4,329	-
<i>Total deferred outflows of resources</i>	<u>90,277</u>	<u>4,329</u>	<u>-</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 16,195,787</u>	<u>\$ 2,772,615</u>	<u>\$ 2,395,692</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	
\$ 39,336	\$ 2,884,782	\$ 58,972	
-	3,254,192	-	
4,522	640,639	-	
-	47,161	-	
-	11,311	-	
-	601,511	-	
<u>43,858</u>	<u>7,439,596</u>	<u>58,972</u>	
-	1,271,444	-	
-	151,912	-	
1,333,281	24,820,991	-	
(434,616)	(11,471,932)	-	
<u>898,665</u>	<u>14,772,415</u>	<u>-</u>	
<u>942,523</u>	<u>22,212,011</u>	<u>58,972</u>	
-	94,606	-	
-	94,606	-	
<u>\$ 942,523</u>	<u>\$ 22,306,617</u>	<u>\$ 58,972</u>	

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities - Enterprise Funds		
	Joint Utility Fund	Airport Fund	Solid Waste Fund
<i>Liabilities, deferred inflows of resources, and net position</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 407,561	\$ 27,954	\$ 36,918
Accrued payroll expenses	71,854	4,242	-
Accrued compensated absences	57,786	2,478	-
Customer deposits	201,199	-	-
Accrued interest	20,201	-	-
Current portion of long-term debt	406,794	-	-
<i>Total current liabilities</i>	<u>1,165,395</u>	<u>34,674</u>	<u>36,918</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	26,513	4,446	-
Accrued landfill closure costs	-	-	800,004
Bonds and notes payable	4,189,511	-	-
Net pension liability	916,490	43,948	-
<i>Total noncurrent liabilities</i>	<u>5,132,514</u>	<u>48,394</u>	<u>800,004</u>
<i>Total liabilities</i>	<u>6,297,909</u>	<u>83,068</u>	<u>836,922</u>
<i>Deferred inflows of resources</i>			
Changes in assumptions	20,612	988	-
Net difference between projected and actual earnings on pension plan investments	353,745	16,963	-
<i>Total deferred inflows of resources</i>	<u>374,357</u>	<u>17,951</u>	<u>-</u>
<i>Net Position</i>			
Net investment in capital assets	3,665,733	2,568,598	1,619,758
Restricted for:			
Debt service	350,642	-	-
Unrestricted	5,507,146	102,998	(60,988)
<i>Total net position</i>	<u>9,523,521</u>	<u>2,671,596</u>	<u>1,558,770</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 16,195,787</u>	<u>\$ 2,772,615</u>	<u>\$ 2,395,692</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>	
\$ 10,110	\$ 482,543	\$	-
-	76,096		-
-	60,264		-
-	201,199		-
-	20,201		-
-	406,794		-
<u>10,110</u>	<u>1,247,097</u>		
-	30,959		-
-	800,004		-
-	4,189,511		-
-	960,438		-
-	<u>5,980,912</u>		-
<u>10,110</u>	<u>7,228,009</u>		-
-	21,600		-
-	370,708		-
-	392,308		-
898,665	8,752,754		-
-	350,642		-
33,748	5,582,904		58,972
<u>932,413</u>	<u>14,686,300</u>		<u>58,972</u>
<u>\$ 942,523</u>	<u>\$ 22,306,617</u>	<u>\$</u>	<u>58,972</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, 2015

	<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	\$ 9,077,525	\$ 208,548	\$ 539,809
<i>Total operating revenues</i>	<u>9,077,525</u>	<u>208,548</u>	<u>539,809</u>
<i>Operating expenses</i>			
General operating	5,043,831	346,998	605,880
Personnel services	1,493,471	71,304	-
Depreciation	334,712	97,500	136,994
Utilities	-	-	-
<i>Total operating expenses</i>	<u>6,872,014</u>	<u>515,802</u>	<u>742,874</u>
<i>Operating income (loss)</i>	<u>2,205,511</u>	<u>(307,254)</u>	<u>(203,065)</u>
<i>Non-operating revenues (expenses)</i>			
Interest expense	(141,661)	-	-
Investment income	6,256	22	295
Gross receipts taxes	-	6,321	10,334
Miscellaneous income	4,156	-	-
Gain (loss) on disposition of asset	-	-	51,326
<i>Total non-operating revenues (expenses)</i>	<u>(131,249)</u>	<u>6,343</u>	<u>61,955</u>
<i>Income (loss) before contributions and transfers</i>	<u>2,074,262</u>	<u>(300,911)</u>	<u>(141,110)</u>
Government contributions	31,498	128,864	-
Capital contributions from governmental activities	262,563	15,327	-
Transfers related to current year capital assets	234,689	-	19,953
Transfers in	786,563	30,000	123,172
Transfers out	(2,250,593)	-	(37,172)
<i>Change in net position</i>	<u>1,138,982</u>	<u>(126,720)</u>	<u>(35,157)</u>
<i>Net position - beginning</i>	7,274,153	2,872,775	1,619,101
<i>Net position, restatement (note 19)</i>	<u>1,110,386</u>	<u>(74,459)</u>	<u>(25,174)</u>
<i>Net position - beginning as restated</i>	<u>8,384,539</u>	<u>2,798,316</u>	<u>1,593,927</u>
<i>Net position - end of year</i>	<u><u>\$ 9,523,521</u></u>	<u><u>\$ 2,671,596</u></u>	<u><u>\$ 1,558,770</u></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
\$ 17,511	\$ 9,843,393	\$ 17,315
17,511	9,843,393	17,315
73,240	6,069,949	19,856
-	1,564,775	-
28,053	597,259	-
12,069	12,069	-
113,362	8,244,052	19,856
(95,851)	1,599,341	(2,541)
-	(141,661)	-
13	6,586	-
-	16,655	-
5,783	9,939	-
-	51,326	-
5,796	(57,155)	-
(90,055)	1,542,186	(2,541)
-	160,362	-
22,102	299,992	-
10,700	265,342	-
105,000	1,044,735	-
(25,000)	(2,312,765)	-
22,747	999,852	(2,541)
903,461	12,669,490	61,513
6,205	1,016,958	-
909,666	13,686,448	61,513
\$ 932,413	\$ 14,686,300	\$ 58,972

STATE OF NEW MEXICO
City of Truth or Consequences
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	<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	\$ 9,553,897	\$ 164,088
Cash payments to employees for services	(1,524,576)	(69,839)
Cash payments to suppliers for goods and services	(5,191,546)	(315,540)
<i>Net cash provided (used) by operating activities</i>	<u>2,837,775</u>	<u>(221,291)</u>
<i>Cash flows from noncapital financing activities</i>		
Government contributions	(64,502)	128,864
Gross receipts taxes	-	6,321
Miscellaneous income	4,156	-
Landfill closure costs	-	-
Transfers	(1,360,858)	30,000
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(1,421,204)</u>	<u>165,185</u>
<i>Cash flows from investing activities</i>		
Purchase of investments	(1,722,219)	-
Interest on investments	6,256	22
<i>Net cash provided (used) by investing activities</i>	<u>(1,715,963)</u>	<u>22</u>
<i>Cash flows from capital and related financing activities</i>		
Acquisition of capital assets	(364,585)	-
Proceeds from sale of capital assets	-	-
Interest paid	(141,899)	-
Proceeds from issuance of long-term debt	75,000	-
Principal payments on bonds, loans and notes payable	(396,506)	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(827,990)</u>	<u>-</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	(1,127,382)	(56,084)
<i>Cash and cash equivalents - beginning of year</i>	<u>4,372,888</u>	<u>163,870</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 3,245,506</u>	<u>\$ 107,786</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ 2,205,511	\$ (307,254)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	334,712	97,500
Net pension expense	(45,729)	(2,193)
Changes in assets and liabilities		
Receivables	476,372	(44,460)
Inventory	(134,048)	5,481
Accounts payable	(22,714)	25,977
Accrued payroll expenses	17,238	1,882
Accrued compensated absences	(2,614)	1,776
Meter deposits	9,047	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 2,837,775</u>	<u>\$ (221,291)</u>

The accompanying notes are an integral part of these financial statements

Business-Type Activities - Enterprise Funds			Governmental
Solid Waste Fund	Other Enterprise Funds	Total	Internal Service Funds
\$ 541,604	\$ 13,711	\$ 10,273,300	\$ 17,315
-	-	(1,594,415)	-
(600,280)	(78,170)	(6,185,536)	(19,856)
(58,676)	(64,459)	2,493,349	(2,541)
-	-	64,362	-
10,334	-	16,655	-
-	5,783	9,939	-
165,702	-	165,702	-
(17,172)	80,000	(1,268,030)	-
158,864	85,783	(1,011,372)	-
-	-	(1,722,219)	-
295	13	6,586	-
295	13	(1,715,633)	-
-	(14,179)	(378,764)	-
95,000	-	95,000	-
-	-	(141,899)	-
-	-	75,000	-
-	-	(396,506)	-
95,000	(14,179)	(747,169)	-
195,483	7,158	(980,825)	(2,541)
568,115	32,178	5,137,051	61,513
\$ 763,598	\$ 39,336	\$ 4,156,226	\$ 58,972
\$ (203,065)	\$ (95,851)	\$ 1,599,341	\$ (2,541)
136,994	28,053	597,259	-
-	-	(47,922)	-
1,795	(3,800)	429,907	-
-	-	(128,567)	-
5,600	7,139	16,002	-
-	-	19,120	-
-	-	(838)	-
-	-	9,047	-
\$ (58,676)	\$ (64,459)	\$ 2,493,349	\$ (2,541)

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

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, 2015, the City adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* (“GASB 68”), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (“GASB 71”). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government’s fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity’s beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

A. Financial Reporting Entity

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

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

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

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City has one component unit required to be reported under GASB Statements No. 14, No. 39 and No. 61.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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*.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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, 2015

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, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Deferred Outflows of Resources, 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 10th and April 10th are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Sierra County and remitted monthly to the City.

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

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used 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, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, 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 Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has one type of item that qualifies for reporting in this category: employer contributions subsequent to the measurement date in the amounts of \$256,188 and \$94,606 for the governmental activities and the business-type activities, respectively. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources in the next period and will reduce the net pension liability in the next period.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element 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 (measureable 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 one item, which arises under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City has recorded \$14,936 related to property taxes considered “unavailable”. In addition, the City has two types of items presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items reported for the governmental activities, change in experience in the amount of \$58,492 and net difference between projected and actual investment earnings in the amount of \$1,003,858 are reported on the Statement of Net Position. In addition, the items reported for the business-type activities, change in experience in the amount of \$21,600 and net difference between projected and actual investment earnings in the amount of \$370,708 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

Nonspendable Fund Balance: At June 30, 2015, the nonspendable fund balance of the City is comprised of inventory in the general fund in the amount of \$79,508 which is not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2015, the restricted fund balance on the governmental funds balance sheet is made up of \$198,976 for public safety, \$254,422 for culture and recreation, \$243,982 for transportation and roads, \$273,644 for fire protection, \$73,643 for Veteran's Wall, \$1,467,665 for debt services expenditures, and \$464,951 for capital projects.

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. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures. The City has also presented committed fund balance on the governmental funds balance sheet including \$388,662 for minimum fund balance and \$384,657 for subsequent year's expenditures.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 35-36 and 74-75.
- 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, depreciation on capital assets, net pension liability calculations, the current portion of accrued compensated absences, and the estimate for landfill closure and postclosure costs.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassification: During fiscal year ending June 30, 2015, the City Commission approved the name change of the DWI Grant Special Revenue Fund to Municipal Pool Special Revenue Fund. The City Commission also approved the transfer of the remaining fund balance of \$5,362 from the DWI Grant Special Revenue Fund to the Municipal Pool Special Revenue Fund.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

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	\$ (1,454,716)	\$(1,440,501)
Debt Service Fund	\$ (114,571)	\$ (114,571)
Nonmajor Governmental Funds	\$ (671,799)	\$(1,179,831)

	<u>Change in Net Position</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
Joint Utility	\$ (2,070,766)	\$(2,072,196)
Airport	\$ 40,714	\$ 40,714
Solid Waste	\$ 487,877	\$ 487,877
Nonmajor Proprietary Funds	\$ (19,930)	\$ (19,930)

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

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, 2015.

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

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

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2015, \$8,480,562 of the City's bank balance of \$9,659,884 was subject to custodial credit risk. \$8,480,562 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name and none of the City's deposits was uninsured and uncollateralized at June 30, 2015.

	Bank of the Southwest	Fist Savings Bank	Compass Bank	Total
Amount of deposits	\$ 179,322	\$ 8,160,022	\$ 1,320,540	\$ 9,659,884
FDIC Coverage	(179,322)	(500,000)	(500,000)	(1,179,322)
Total uninsured public funds	<u>-</u>	<u>7,660,022</u>	<u>820,540</u>	<u>8,480,562</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	-	7,660,022	820,540	8,480,562
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ 3,830,011	\$ 410,270	\$ 4,240,281
Pledged Collateral	-	8,131,272	2,000,000	10,131,272
Over (Under) collateralized	<u>\$ -</u>	<u>\$ 4,301,261</u>	<u>\$ 1,589,730</u>	<u>\$ 5,890,991</u>

The collateral pledged is listed on Schedule IV 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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position

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

Cash and cash equivalents per Exhibit A-1	\$ 5,517,295
Investments per Exhibit A-1	3,939,061
Restricted cash and cash equivalents per Exhibit A-1	1,493,643
Restricted investments per Exhibit A-1	<u>698,703</u>
 Total cash, cash equivalents and investments	 11,648,702
 Plus: outstanding checks	 383,237
Less outstanding deposits	(2,336)
Less: restricted cash and cash equivalents with NMFA	(211,510)
Less: restricted cash and cash equivalents with RCAC	(158,080)
Less: restricted investment with NMFA	(698,703)
Less: investments held in New Mexico LGIP	(1,300,463)
Less: petty cash	<u>(963)</u>
 Bank balance of deposits	 <u>\$ 9,659,884</u>

Investments

The City invests excess cash in the State Treasurer Local Government Investment Pool. The New Mexico Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10. (F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 3. Deposits and Investments (continued)

Investments (continued)

The City's investments at June 30, 2015 include the following:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating*</u>
U.S. Treasury Money Market Mutual Funds	>365 days	\$ 910,213	Aaa
New Mexico LGIP	77.7 days WAM(F)	1,300,463	AAAm
		<u>\$ 2,210,676</u>	

* Based off Moody's rating

At June 30, 2015 there was \$211,510 of U.S. Treasury Money Market Mutual funds classified as restricted cash and cash equivalents in the Statement of Net Position.

In addition to the restricted cash and cash equivalents above there are \$2,638,598 of certificates of deposits that are greater than 90 days and therefore are considered investments in the Statement of Net Position.

Interest Rate Risk – Investments. The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in the New Mexico State LGIP and U.S Treasury Money Market Mutual Funds represent 59% and 41%, respectively, of the investment portfolio. The City's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

NOTE 4. Receivables

Receivables as of June 30, 2015, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 23,362	\$ -	\$ -	\$ 23,362
Other taxes:				
Gross receipts taxes	428,617	70,286	-	498,903
Franchise and lodgers taxes	15,707	-	39,746	55,453
Intergovernmental-grants:				
State	531	-	-	531
Miscellaneous receivables:				
Licenses and fees	627	-	-	627
Reimbursements for services	3,531	-	3,325	6,856
Totals	<u>\$ 472,375</u>	<u>\$ 70,286</u>	<u>\$ 43,071</u>	<u>\$ 585,732</u>

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 4. Receivables (continued)

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 \$14,936 for the City for the year ended June 30, 2015.

Proprietary fund receivables as of June 30, 2015, are as follows:

	<u>Joint Utility</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Charges for services	\$ 779,558	\$ 2,321	\$ 1,025	\$ 4,522	\$ 787,426
Less: Allowance for uncollectible accounts	(146,787)	-	-	-	(146,787)
Other receivables:					
Intergovernmental-grants:					
Federal	-	47,161	-	-	47,161
Miscellaneous	-	-	11,311	-	11,311
Totals	<u>\$ 632,771</u>	<u>\$ 49,482</u>	<u>\$ 12,336</u>	<u>\$ 4,522</u>	<u>\$ 699,111</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

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>
General Fund	Recreation Fund	\$ 20,000
General Fund	Correction Fees Fund	11,000
General Fund	Police Department GRT Fund	188,828
General Fund	Golf Course Proprietary Fund	60,000
General Fund	Airport Proprietary Fund	30,000
General Fund	Municipal Street Fund	20,000
General Fund	Municipal Pools Fund	202,750
General Fund	Capital Expenditures Fund	25,000
Debt Service Fund	Joint Utility Proprietary Fund	118,450
Fire Protection Fund	Debt Service Fund	22,998
Lodger's Tax Fund	Golf Course Proprietary Fund	45,000
Lodger's Tax Fund	Veteran's Wall Fund	10,000
Municipal Streets Fund	Debt Service Fund	542
Municipal Pools Fund	USDA Street Sweeper Fund	100
Municipal Pools Fund	USDA WWTP Fund	1,244
Joint Utility Proprietary Fund	General Fund	1,375,000
Joint Utility Proprietary Fund	Debt Service	118,980
Joint Utility Proprietary Fund	Joint Utility Proprietary Fund	630,941
Joint Utility Proprietary Fund	R&R Emergency Fund	2,500
Joint Utility Proprietary Fund	Solid Waste Proprietary Fund	123,172
Solid Waste Proprietary Fund	Joint Utility Proprietary Fund	37,172
Golf Course Proprietary Fund	Golf Course Improvements	25,000
		<u>\$ 3,068,677</u>

Transfers related to the capital asset transfers between funds, including transfers related to current year capital assets purchased, were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Joint Utility Proprietary Fund	Solid Waste Proprietary Fund	\$ 19,953
Joint Utility Proprietary Fund	Golf Course Proprietary Fund	10,700
USDA WWTP Fund	Joint Utility Proprietary Fund	265,342
Governmental Activities	Joint Utility Proprietary Fund	262,563
Governmental Activities	Golf Course Proprietary Fund	22,102
Governmental Activities	Airport Proprietary Fund	15,327
		<u>\$ 595,987</u>

The City does not pool their cash and therefore the City did not have any internal balances as of June 30, 2015.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2015 follows. Land and construction in progress are not subject to depreciation.

Governmental Activities:	Balance					Balance
	June 30, 2014	Transfers	Restatement	Additions	Deletions	June 30, 2015
Capital assets not being depreciated:						
Land	\$ 4,733,362	\$ -	\$ (11,793)	\$ -	\$ -	\$ 4,721,569
	<u>4,733,362</u>	<u>-</u>	<u>(11,793)</u>	<u>-</u>	<u>-</u>	<u>4,721,569</u>
Capital assets being depreciated:						
Buildings and improvements	8,926,265	(29,698)	(638,290)	-	(282,661)	7,975,616
Equipment	2,366,223	(96,992)	(340,301)	115,152	-	2,044,082
Infrastructure	2,333,051	(309,304)	-	-	-	2,023,747
Vehicles	1,944,707	(193,134)	800,716	25,100	(126,821)	2,450,568
	<u>15,570,246</u>	<u>(629,128)</u>	<u>(177,875)</u>	<u>140,252</u>	<u>(409,482)</u>	<u>14,494,013</u>
Total capital assets	<u>20,303,608</u>	<u>(629,128)</u>	<u>(189,668)</u>	<u>140,252</u>	<u>(409,482)</u>	<u>19,215,582</u>
Accumulated depreciation:						
Buildings and improvements	6,429,199	(14,371)	(1,618,147)	131,703	(282,661)	4,645,723
Equipment	1,968,720	(71,981)	(349,627)	149,089	-	1,696,201
Infrastructure	365,538	(49,650)	-	72,675	-	388,563
Vehicles	1,491,498	(193,134)	821,341	123,926	(126,821)	2,116,810
	<u>10,254,955</u>	<u>(329,136)</u>	<u>(1,146,433)</u>	<u>477,393</u>	<u>(409,482)</u>	<u>8,847,297</u>
Net Capital Assets	<u>\$10,048,653</u>	<u>\$ (299,992)</u>	<u>\$ 956,765</u>	<u>\$ (337,141)</u>	<u>\$ -</u>	<u>\$10,368,285</u>

Depreciation expense for the year ended June 30, 2015 was charged to governmental activities as follows:

Total by Function	
General government	\$ 242,987
Public safety	54,238
Public works	60,369
Culture and recreation	119,799
Total	<u>\$ 477,393</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 6. Capital Assets (continued)

Business-type Activities:

	Balance June 30, 2014	Transfers	Restatement	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:						
Land	\$ 1,755,406	\$ -	\$ -	\$ -	\$ -	\$ 1,755,406
Construction in progress	116,257	-	-	547,965	-	664,222
	<u>1,871,663</u>	<u>-</u>	<u>-</u>	<u>547,965</u>	<u>-</u>	<u>2,419,628</u>
Capital assets being depreciated:						
Buildings and improvements	3,344,638	29,698	(141,023)	34,132	-	3,267,445
Utility Plant	7,967,888	309,304	2,142,165	44,529	-	10,463,886
Golf Course - Infrastructure	1,860	-	(1,860)	-	-	-
Airport - Infrastructure	2,890,805	-	(10,239)	-	-	2,880,566
Equipment	3,880,678	96,991	(52,628)	17,481	(270,003)	3,672,519
Vehicles	2,193,581	193,134	(269,768)	-	-	2,116,947
	<u>20,279,450</u>	<u>629,127</u>	<u>1,666,647</u>	<u>96,142</u>	<u>(270,003)</u>	<u>22,401,363</u>
Total capital assets	<u>22,151,113</u>	<u>629,127</u>	<u>1,666,647</u>	<u>644,107</u>	<u>(270,003)</u>	<u>24,820,991</u>
Accumulated depreciation:						
Buildings and improvements	1,252,245	14,371	(141,023)	72,183	-	1,197,776
Utility Plant	4,700,305	49,650	(195,964)	206,542	-	4,760,533
Infrastructure	490,564	-	(1,188)	72,014	-	561,390
Equipment	3,345,397	71,980	(44,515)	160,988	(226,328)	3,307,522
Vehicles	1,639,728	193,134	(273,683)	85,532	-	1,644,711
	<u>11,428,239</u>	<u>329,135</u>	<u>(656,373)</u>	<u>597,259</u>	<u>(226,328)</u>	<u>11,471,932</u>
Net Book Value	<u>\$10,722,874</u>	<u>\$ 299,992</u>	<u>\$2,323,020</u>	<u>\$ 46,848</u>	<u>\$ (43,675)</u>	<u>\$13,349,059</u>

Depreciation expense for the year ended June 30, 2015 was charged to business-type activities as follows:

Joint Utility Fund	\$ 334,713
Airport Fund	97,500
Solid Waste Fund	136,993
Golf Course Fund	23,419
Cemetery Fund	4,634
Total	<u>\$ 597,259</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities	Balance			Balance	Due Within
	June 30, 2014	Additions	Deletions	June 30, 2015	One Year
Notes Payable					
NMFA Construction & Repairs of Streets and Sidewalks	\$ 1,766,351	\$ -	\$ 86,878	\$ 1,679,473	\$ 88,763
NMFA Refinance Improvement Bonds	2,223,802	-	160,000	2,063,802	165,000
NMFA Police Department Building	166,717	-	12,988	153,729	13,204
NMFA Fire Pumper	228,113	-	20,009	208,104	21,673
WWTP - RCAC Loan	-	505,117	-	505,117	505,117
Total Notes Payable	<u>4,384,983</u>	<u>505,117</u>	<u>279,875</u>	<u>4,610,225</u>	<u>793,757</u>
Compensated Absences	209,935	152,057	154,712	207,280	154,712
Total Long-term debt	<u>\$ 4,594,918</u>	<u>\$ 657,174</u>	<u>\$ 434,587</u>	<u>\$ 4,817,505</u>	<u>\$ 948,469</u>

On October 13, 2009, the City adopted into Ordinance No. 601 to enter into an agreement to borrow \$2,046,949 from the New Mexico Finance Authority. Loan was funded on November 20, 2009. The note matures on May 1, 2030, and accrues interest at 3.699% per annum. The proceeds of the loan will be used for constructing, repairing and improving various streets, alleys, sidewalks and curbs within the City, including rehabilitation, repaving and drainage improvements. The payments of principal and interest are paid from the first increment of one-quarter of one percent (0.25%) of municipal gross receipts tax, dedicated to the general fund.

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.

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.

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.

On October 24, 2014, the City borrowed \$505,117 from the Rural Community Assistance Corporation (RCAC). The note matures on October 24, 2016, and accrues interest at from 4.75% to 5.00% per annum. The proceeds of the loan were used for expenses related to the Wastewater Plant Improvement Project.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 7. Long-term Debt (continued)

Governmental Activities (continued)

The annual requirements to amortize the governmental activities debt as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 793,757	\$ 154,997	\$ 948,754
2017	240,222	146,661	386,883
2018	246,726	140,154	386,880
2019	253,945	132,934	386,879
2020	261,823	125,676	387,499
2021-2025	1,437,613	477,548	1,915,161
2026-2030	1,376,139	170,009	1,546,148
	<u>\$ 4,610,225</u>	<u>\$ 1,347,979</u>	<u>\$ 5,958,204</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, 2015, compensated absences decreased \$2,655 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, 2015

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, 2015:

Business-Type Activities	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Revenue Bonds					
Series 2012 Solid Waste Revenue bonds	\$ 1,100,000	\$ -	\$ 75,000	\$ 1,025,000	\$ 75,000
Total Revenue Bonds	<u>1,100,000</u>	<u>-</u>	<u>75,000</u>	<u>1,025,000</u>	<u>75,000</u>
Loans Payable					
NMFA Storage Tanks	761,306	-	100,368	660,938	103,767
NMFA Low Voltage Feeder Line	960,414	-	80,703	879,711	83,583
NM Environment Department - utility system	126,950	-	30,344	96,606	31,255
NM Environment Department - utility system 95-16	238,031	-	26,768	211,263	27,571
NMFA Ground Storage Tanks	218,410	-	12,593	205,817	12,624
NMFA SUSDA Loan Refinance of 95,96, and 98 Utility Revenue	1,300,884	-	57,296	1,243,588	57,628
NMFA Water Tanks Loan	149,167	-	8,287	140,880	8,287
NMFA Storage Conveyance & Delivery	62,649	-	3,224	59,425	3,232
NMFA Wastewater System Improvements	-	75,000	1,923	73,077	3,847
Total Loans Payable	<u>3,817,811</u>	<u>75,000</u>	<u>321,506</u>	<u>3,571,305</u>	<u>331,794</u>
Landfill Closure and post closure	634,302	222,878	57,176	800,004	-
Compensated Absences	92,061	59,426	60,264	91,223	60,264
Total Long-term debt	<u>\$ 5,644,174</u>	<u>\$ 357,304</u>	<u>\$ 513,946</u>	<u>\$ 5,487,532</u>	<u>\$ 467,058</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

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, 2015, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	90,000	27,848	117,848
2021-2025	505,000	83,149	588,149
2026-2030	110,000	4,345	114,345
	<u>\$ 1,025,000</u>	<u>\$ 258,925</u>	<u>\$ 1,283,925</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.

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.

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.

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.

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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

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.

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.

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.

On June 26, 2015 the City borrowed \$75,000 from the New Mexico Finance Authority. The note matures on June 1, 2035, with 0% interest rate. The proceeds of the loan were used for a project for wastewater system improvements. The payments of principal and interest are paid from net revenues from the City’s utility system.

The annual requirements to amortize the loan payables as of June 30, 2015, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 331,794	\$ 90,977	\$ 422,771
2017	339,752	83,539	423,291
2018	348,142	75,668	423,810
2019	322,906	67,299	390,205
2020	331,346	61,701	393,047
2021-2025	1,073,179	180,584	1,253,763
2026-2030	514,345	84,189	598,534
2031-2034	309,841	18,920	328,761
	<u>\$ 3,571,305</u>	<u>\$ 662,877</u>	<u>\$ 4,234,182</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, 2015, compensated absences decreased \$838 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, 2015

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, 2015, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City of Truth or Consequences.

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

NOTE 9. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The following fund reflected a deficit fund balance as of June 30, 2015:

Correction Fees	\$	4,072
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- 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, 2015.

- C. Designated cash appropriations in excess of available balances. The following fund exceeded budgeted designated cash appropriations for the year ended June 30, 2015:

	<u>Designated Cash</u>	<u>Beginning Year Cash & AR Available</u>	<u>Cash Appropriations in excess of available cash balance</u>
Correction Fees	\$ 7,200	\$ 5,146	\$ 2,054

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association

Plan Description: The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf

Contributions. The contribution requirements of defined benefit plan members and The City are established in State Statute under Chapter 10, Article 11 NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf

The PERA coverage options that apply to the City are Municipal General Division and Municipal Police Division. Statutorily required contributions to the pension plan from the City were \$350,794, and there were no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Municipal General Division, at June 30, 2015, the City reported a liability of \$2,596,977 for its proportionate share of the net pension liability. At June 30, 2014, the City's proportion was 0.3329 percent, which was unchanged from its proportion measured as of June 30, 2013 due to the insignificance of the difference.

For the year ended June 30, 2015, the City recognized PERA Fund Municipal General Division pension expense of \$108,346. At June 30, 2015, the City reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ -	\$ 1,760
Net difference between projected and actual earnings on pension plan investments	-	1,016,006
City's contributions subsequent to the measurement date	236,526	
Total	\$ 236,526	\$ 1,017,766

For Municipal General, \$236,526 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (254,439)
2017	(254,439)
2018	(254,439)
2019	(254,439)
2020	(10)
Thereafter	-

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

For PERA Fund Municipal Police Division, at June 30, 2015, the City reported a liability of \$964,276 for its proportionate share of the net pension liability. At June 30, 2014, the City's proportion was 0.2958 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City recognized PERA Fund Municipal Police Division pension expense of \$64,756. At June 30, 2015, the City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ -	\$ 78,332
Net difference between projected and actual earnings on pension plan investments	-	358,560
City's contributions subsequent to the measurement date	114,268	-
Total	\$ 114,268	\$ 436,892

\$114,268 reported as deferred outflows of resources related to pensions resulting from The City's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (109,126)
2017	(109,126)
2018	(109,126)
2019	(109,126)
2020	(388)
Thereafter	-

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50 to 14.25% annual rate
Includes inflation at	3.00% annual rate

The long term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80	5.20
Private Equity	7.00	8.20
Core and Global Fixed Income	26.10	1.85
Fixed Income Plus Sectors	5.00	4.80
Real Estate	5.00	5.30
Real Assets	7.00	5.70
Absolute Return	4.00	4.15
Total	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate.
The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present The City’s net pension liability in each PERA Fund Division that The City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 4,895,886	\$ 2,596,977	\$ 820,960

PERA Fund Municipal Police Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 1,838,875	\$ 964,276	\$ 311,224

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. At June 30, 2015 there was \$30,370 of contributions due and payable to PERA for the City.

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

Plan Description. The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, 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, 2015, 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, 2015, 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, 2015, 2014 and 2013 were \$95,101, \$103,254, and \$98,056, 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, 2015 in the remaining cases.

NOTE 13. Federal and State Grants

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

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, 2015. 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, 2015 is \$800,004.

NOTE 15. Subsequent Events

The City received legislative appropriations for \$100,000 for the Veterans Memorial Wall replacement (approved by the City Commission on 11/23/15) and legislative appropriation for \$150,000 for the Animal Shelter (approved by the City Commission on 11/23/15).

The date to which events occurring after June 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 7, 2015, which is the date on which the financial statements were issued.

NOTE 16. Restricted Net Position

The government-wide statement of net position reports \$3,310,430 of restricted net position, all of which is restricted by enabling legislation. See pages 35 through 36 and 74 through 75 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

NOTE 17. Concentrations

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

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 18. Joint Powers Agreement

The City is a participant in a joint powers agreement with the Village of Williamsburg for police protection services wherein the City is to provide management, operations, patrols, police powers under the direction and guidance of the City Chief of Police and the Trustees of the Village in accordance with applicable provisions of the New Mexico State Laws and Regulations. The Village will pay the City \$40,000 yearly. The agreement was entered into on February 10, 2015. The term of this contract is three years, each fiscal year the parties shall review the agreement.

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 memorandum of understanding with Sierra County for MALCO site cleanup. The parties shall endeavor to work together to prepare and submit a grant application to secure funding to clean the MALCO site and nearby county sites, and to expend funds received in conjunction with the grant application purpose. This agreement was entered into on March 16, 2015. The agreement is cancellable by either party within 30 days advance written notice.

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 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 memorandum of understanding with the City of Truth or Consequences Housing Authority wherein the City shall provide the following equipment and services to the Housing Authority; 1 recycling collection trailer with recycling binds and processing of recyclable materials. The Housing Authority shall pay a fee of \$50 per trailer to the City in the event delivered materials contain greater than 25% contaminant by volume. This agreement shall remain in effect until terminated by either party pursuant to the agreement terms.

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 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.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 18. 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 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 Main Street Truth or Consequences Organization and the New Mexico Main Street Program for the revitalization and economic development of its traditional downtown and historic commercial core as a designated Main Street District. The agreement will allow the City to partner its resources with the New Mexico Economic Development Department's (NMED) Main Street Program to support business and property owners for commercial district revitalization. The agreement is valid until July 31, 2015.

NOTE 19. Prior Period Adjustments

Governmental Activities

The City restated government-wide statement of net position for governmental activities in the amount of (\$3,536,747) for the implementation of GASB Statement No. 68 and GASB Statement No. 71. The adjustment reflects a beginning net pension liability of (\$3,794,308) and a beginning deferred outflow of resources, employer contributions subsequent to measurement date of \$257,561.

The City restated governmental activities capital assets in the amount of \$956,765. In the prior years, the City worked with an outside company to clear prior year findings in capital assets and it was noted that capital assets were missing from the governmental activities.

Business-Type Activities

The City restated business-type activities of net position in the amount of (\$1,306,062) for the implementation of GASB Statement No. 68 and GASB Statement No. 71. The adjustment reflects a beginning net pension liability of (\$1,401,175) and a beginning deferred outflow of resources, employer contributions subsequent to measurement date of \$95,113.

The City restated business-type activities capital assets in the amount of \$2,323,020. In the prior years, the City worked with an outside company to clear prior year findings in capital assets and it was noted that capital assets were missing from the business-type activities.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to the Financial Statements
June 30, 2015

NOTE 20. Subsequent Pronouncements

In February 2015, GASB Statement No. 72 *Fair Value Measurement and Application*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2016. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not effect the City's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2016. The City expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2017. The City is still evaluating how this pronouncement will effect the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of the City's Proportionate Share of the Net Pension Liability
of PERA Fund Municipal General Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2015 Measurement Date (As of and for the year ended <u>June 30, 2014</u>)
City of Truth or Consequences' proportion of the net pension liability	0.3329%
City of Truth or Consequences' proportionate share of the net pension liability	\$ 2,596,977
City of Truth or Consequences' covered-employee payroll	\$ 2,707,788
City of Truth or Consequences' proportionate share of the net pension liability as a percentage of its covered-employee payroll	95.91%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Truth or Consequences will present information for those years for which information is available.

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of the City's Proportionate Share of the Net Pension Liability
of PERA Fund Municipal Police Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2015 Measurement Date (As of and for the year ended <u>June 30, 2014</u>)
City of Truth or Consequences' proportion of the net pension liability	0.2958%
City of Truth or Consequences' proportionate share of the net pension liability	\$ 964,276
City of Truth or Consequences' covered-employee payroll	\$ 569,512
City of Truth or Consequences' proportionate share of the net pension liability as a percentage of its covered-employee payroll	169.32%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Truth or Consequences will present information for those years for which information is available.

STATE OF NEW MEXICO
 City of Truth or Consequences
 Schedule of City's Contributions
 Public Employees Retirement Association (PERA) Plan
 PERA Fund Municipal General Division
 Last 10 Fiscal Years*

	As of and for the year ended June <u>30, 2015</u>
Contractually required contribution	\$ 236,526
Contributions in relation to the contractually required contribution	<u>(236,526)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City of Truth or Consequences's covered-employee payroll	\$ 2,413,884
Contributions as a percentage of covered-employee payroll	10%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Truth or Consequences will present information for those years for which information is available.

STATE OF NEW MEXICO
 City of Truth or Consequences
 Schedule of City's Contributions
 Public Employees Retirement Association (PERA) Plan
 PERA Fund Municipal Police Division
 Last 10 Fiscal Years*

	As of and for the year ended June <u>30, 2015</u>
Contractually required contribution	\$ 114,268
Contributions in relation to the contractually required contribution	<u>(114,268)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City of Truth or Consequences's covered-employee payroll	\$ 569,138
Contributions as a percentage of covered-employee payroll	20%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Truth or Consequences will present information for those years for which information is available.

STATE OF NEW MEXICO
City of Truth or Consequences
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at: http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at: http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental and Proprietary Fund Descriptions
June 30, 2015

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.

Municipal Pool – To account for the City's pool funds. 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.

USDA Street Sweeper – To account for the federal grant received to purchase a Street Sweeper. This fund was authorized by the City Commission.

USDA WWTP – To account for the monies related to wastewater treatment facility upgrade. 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, 2015

Capital Projects Funds (continued)

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

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

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, 2015

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	\$ 274,196	\$ 49,346	\$ 2,308	\$ 7,608
Restricted cash and cash equivalents	93	-	-	-
Receivables:				
Other taxes	-	-	-	-
Miscellaneous receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 274,289</u>	<u>\$ 49,346</u>	<u>\$ 2,308</u>	<u>\$ 7,608</u>
<i>Liabilities</i>				
Accounts payable	\$ 645	\$ -	\$ 6,380	\$ -
Accrued payroll	-	-	-	-
<i>Total liabilities</i>	<u>645</u>	<u>-</u>	<u>6,380</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
Public safety	-	-	-	7,608
Culture and recreation	-	49,346	-	-
Transportation and roads	-	-	-	-
Fire protection	273,644	-	-	-
Veteran's Wall	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	(4,072)	-
<i>Total fund balances</i>	<u>273,644</u>	<u>49,346</u>	<u>(4,072)</u>	<u>7,608</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 274,289</u>	<u>\$ 49,346</u>	<u>\$ 2,308</u>	<u>\$ 7,608</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Police Department GRT Fund	Lodger's Tax	Municipal Streets Fund	Municipal Pool	State Library	Veteran's Wall Perpetual Care
\$ 196,839	\$ 134,743	\$ 224,230	\$ 60,517	\$ 7,417	\$ 27,524
-	-	-	-	-	-
-	19,672	20,074	-	-	-
3,313	-	-	-	12	-
-	-	-	3,003	-	-
<u>\$ 200,152</u>	<u>\$ 154,415</u>	<u>\$ 244,304</u>	<u>\$ 63,520</u>	<u>\$ 7,429</u>	<u>\$ 27,524</u>
\$ 11,237	\$ 4,958	\$ 322	\$ 7,446	\$ -	\$ -
-	-	-	4,881	-	-
<u>11,237</u>	<u>4,958</u>	<u>322</u>	<u>12,327</u>	<u>-</u>	<u>-</u>
-	-	-	3,003	-	-
188,915	-	-	-	-	-
-	149,457	-	48,190	7,429	-
-	-	243,982	-	-	-
-	-	-	-	-	-
-	-	-	-	-	27,524
-	-	-	-	-	-
<u>188,915</u>	<u>149,457</u>	<u>243,982</u>	<u>51,193</u>	<u>7,429</u>	<u>27,524</u>
<u>\$ 200,152</u>	<u>\$ 154,415</u>	<u>\$ 244,304</u>	<u>\$ 63,520</u>	<u>\$ 7,429</u>	<u>\$ 27,524</u>

STATE OF NEW MEXICO
City of Truth or Consequences
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue	Capital Projects		
	Federal Seizures Share	Senior Transportation	Capital Expenditures	Golf Course Improvements
<i>Assets</i>				
Cash and cash equivalents	\$ 2,453	\$ 88,170	\$ 42,772	\$ 39,717
Restricted cash and cash equivalents	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Miscellaneous receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	\$ 2,453	\$ 88,170	\$ 42,772	\$ 39,717
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
<i>Total liabilities</i>	-	-	-	-
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
Public safety	2,453	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Fire protection	-	-	-	-
Veteran's Wall	-	-	-	-
Capital projects	-	88,170	42,772	39,717
Unassigned	-	-	-	-
<i>Total fund balances</i>	2,453	88,170	42,772	39,717
<i>Total liabilities and fund balances</i>	\$ 2,453	\$ 88,170	\$ 42,772	\$ 39,717

The accompanying notes are an integral part of these financial statements

Capital Projects

<u>USDA Street Sweeper</u>	<u>USDA WWTP</u>	<u>R & R Emergency</u>	<u>Veteran's Wall</u>	<u>CDBG Project</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 52,438	\$ 46,119	\$ 2,119	\$ 1,258,516
93,600	158,938	-	-	-	252,631
-	-	-	-	-	39,746
-	-	-	-	-	3,325
-	-	-	-	-	3,003
<u>\$ 93,600</u>	<u>\$ 158,938</u>	<u>\$ 52,438</u>	<u>\$ 46,119</u>	<u>\$ 2,119</u>	<u>\$ 1,557,221</u>
\$ -	\$ 12,803	\$ -	\$ -	\$ -	\$ 43,791
-	-	-	-	-	4,881
-	12,803	-	-	-	48,672
-	-	-	-	-	3,003
-	-	-	-	-	198,976
-	-	-	-	-	254,422
-	-	-	-	-	243,982
-	-	-	-	-	273,644
-	-	-	46,119	-	73,643
93,600	146,135	52,438	-	2,119	464,951
-	-	-	-	-	(4,072)
<u>93,600</u>	<u>146,135</u>	<u>52,438</u>	<u>46,119</u>	<u>2,119</u>	<u>1,508,549</u>
<u>\$ 93,600</u>	<u>\$ 158,938</u>	<u>\$ 52,438</u>	<u>\$ 46,119</u>	<u>\$ 2,119</u>	<u>\$ 1,557,221</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, 2015

Special Revenue

	Fire Protection	Recreation Fund	Correction Fees	Law Enforcement Protection
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal capital grants	-	-	-	-
State operating grants	255,370	-	-	28,400
State capital grants	-	-	-	-
Charges for services	-	-	8,491	-
Investment income	129	16	-	-
Miscellaneous	1,914	-	-	-
<i>Total revenues</i>	<u>257,413</u>	<u>16</u>	<u>8,491</u>	<u>28,400</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	67,169	-	28,538	21,561
Public works	-	-	-	-
Culture and recreation	-	4,458	-	-
Capital outlay	115,152	-	-	-
<i>Total expenditures</i>	<u>182,321</u>	<u>4,458</u>	<u>28,538</u>	<u>21,561</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>75,092</u>	<u>(4,442)</u>	<u>(20,047)</u>	<u>6,839</u>
<i>Other financing sources (uses)</i>				
Loan proceeds	-	-	-	-
Transfers in	-	20,000	11,000	-
Transfers out	(22,998)	-	-	-
Transfers out - current capital expenditures	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(22,998)</u>	<u>20,000</u>	<u>11,000</u>	<u>-</u>
<i>Net change in fund balances</i>	52,094	15,558	(9,047)	6,839
<i>Fund balances - beginning of year</i>	<u>221,550</u>	<u>33,788</u>	<u>4,975</u>	<u>769</u>
<i>Fund balances - end of year</i>	<u>\$ 273,644</u>	<u>\$ 49,346</u>	<u>\$ (4,072)</u>	<u>\$ 7,608</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Police Department GRT Fund	Lodger's Tax	Municipal Streets Fund	Municipal Pool	State Library	Veteran's Wall Perpetual Care
\$ -	\$ -	\$ 127,425	\$ 1,013	\$ -	\$ -
-	-	58,230	-	-	-
-	245,149	-	-	-	-
-	-	-	-	-	-
-	40,000	40,663	-	16,974	-
-	-	-	-	-	-
49,604	7,345	-	21,941	-	1,550
70	71	113	-	-	-
-	-	-	-	1,465	-
<u>49,674</u>	<u>292,565</u>	<u>226,431</u>	<u>22,954</u>	<u>18,439</u>	<u>1,550</u>
-	227,504	-	-	-	-
129,380	-	-	-	-	-
-	-	227,052	-	-	-
-	-	-	178,529	17,066	-
25,100	-	-	-	-	-
<u>154,480</u>	<u>227,504</u>	<u>227,052</u>	<u>178,529</u>	<u>17,066</u>	<u>-</u>
<u>(104,806)</u>	<u>65,061</u>	<u>(621)</u>	<u>(155,575)</u>	<u>1,373</u>	<u>1,550</u>
-	-	-	-	-	-
188,828	-	20,000	202,750	-	-
-	(55,000)	(542)	(1,344)	-	-
-	-	-	-	-	-
<u>188,828</u>	<u>(55,000)</u>	<u>19,458</u>	<u>201,406</u>	<u>-</u>	<u>-</u>
84,022	10,061	18,837	45,831	1,373	1,550
<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>\$ 188,915</u>	<u>\$ 149,457</u>	<u>\$ 243,982</u>	<u>\$ 51,193</u>	<u>\$ 7,429</u>	<u>\$ 27,524</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, 2015

	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	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	29	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	29	-
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	27,403	1,883
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	-	-	27,403	1,883
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(27,374)	(1,883)
<i>Other financing sources (uses)</i>				
Loan proceeds	-	-	-	-
Transfers in	-	-	25,000	25,000
Transfers out	-	-	-	-
Transfers out - current capital expenditures	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	25,000	25,000
<i>Net change in fund balances</i>	-	-	(2,374)	23,117
<i>Fund balances - beginning of year</i>	2,453	88,170	45,146	16,600
<i>Fund balances - end of year</i>	\$ 2,453	\$ 88,170	\$ 42,772	\$ 39,717

The accompanying notes are an integral part of these financial statements

Capital Projects

<u>USDA Street Sweeper</u>	<u>USDA WWTP</u>	<u>R & R Emergency</u>	<u>Veteran's Wall</u>	<u>CDBG Project</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,438
-	-	-	-	-	58,230
-	-	-	-	-	245,149
93,500	-	-	-	-	93,500
-	-	-	-	-	381,407
-	-	-	-	-	-
-	-	-	-	-	88,931
-	1	-	-	-	429
-	-	-	-	-	3,379
<u>93,500</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>999,463</u>
-	-	-	-	-	227,504
-	-	-	-	-	246,648
-	94,885	-	-	-	351,223
-	-	-	1,127	-	201,180
-	-	-	-	-	140,252
<u>-</u>	<u>94,885</u>	<u>-</u>	<u>1,127</u>	<u>-</u>	<u>1,166,807</u>
<u>93,500</u>	<u>(94,884)</u>	<u>-</u>	<u>(1,127)</u>	<u>-</u>	<u>(167,344)</u>
-	505,117	-	-	-	505,117
100	1,244	2,500	10,000	-	506,422
-	-	-	-	-	(79,884)
-	(265,342)	-	-	-	(265,342)
<u>100</u>	<u>241,019</u>	<u>2,500</u>	<u>10,000</u>	<u>-</u>	<u>666,313</u>
93,600	146,135	2,500	8,873	-	498,969
-	-	49,938	37,246	2,119	1,009,580
<u>\$ 93,600</u>	<u>\$ 146,135</u>	<u>\$ 52,438</u>	<u>\$ 46,119</u>	<u>\$ 2,119</u>	<u>\$ 1,508,549</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, 2015

	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	132,372	232,372	255,370	22,998
State capital grant	-	-	-	-
Charges for services	-	-	-	-
Investment income	120	120	129	9
Miscellaneous	-	-	1,914	1,914
<i>Total revenues</i>	<u>132,492</u>	<u>232,492</u>	<u>257,413</u>	<u>24,921</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	239,866	239,866	67,591	172,275
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	115,152	215,152	115,152	100,000
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>355,018</u>	<u>455,018</u>	<u>182,743</u>	<u>272,275</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(222,526)</u>	<u>(222,526)</u>	<u>74,670</u>	<u>297,196</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	222,526	222,526	-	(222,526)
Transfers in	-	-	-	-
Transfers out	-	-	(22,998)	(22,998)
<i>Total other financing sources (uses)</i>	<u>222,526</u>	<u>222,526</u>	<u>(22,998)</u>	<u>(245,524)</u>
<i>Net change in fund balance</i>	-	-	51,672	51,672
<i>Fund balance - beginning of year</i>	-	-	222,617	222,617
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,289</u>	<u>\$ 274,289</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 51,672	
No adjustments for revenue accruals			-	
Adjustments to expenditures for salaries and operating expenses			422	
Net change in fund balance (GAAP)			<u>\$ 52,094</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, 2015

	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	-	-	-	-
Investment income	-	15	16	1
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>15</u>	<u>16</u>	<u>1</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	30,500	30,500	4,458	26,042
Health and welfare	-	-	-	-
Capital outlay	10,000	10,000	-	10,000
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>40,500</u>	<u>40,500</u>	<u>4,458</u>	<u>36,042</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(40,500)</u>	<u>(40,485)</u>	<u>(4,442)</u>	<u>36,043</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	10,500	10,485	-	(10,485)
Transfers in	30,000	30,000	20,000	(10,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>40,500</u>	<u>40,485</u>	<u>20,000</u>	<u>(20,485)</u>
<i>Net change in fund balance</i>	-	-	15,558	15,558
<i>Fund balance - beginning of year</i>	-	-	33,788	33,788
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,346</u>	<u>\$ 49,346</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 15,558	
No adjustments for revenue accruals			-	
No adjustments for expenditure accruals			-	
Net change in fund balance (GAAP)			<u>\$ 15,558</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, 2015

	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	12,500	12,500	8,491	(4,009)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,500</u>	<u>12,500</u>	<u>8,491</u>	<u>(4,009)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	20,700	24,700	22,329	2,371
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,700</u>	<u>24,700</u>	<u>22,329</u>	<u>2,371</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(8,200)</u>	<u>(12,200)</u>	<u>(13,838)</u>	<u>(1,638)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	200	7,200	-	(7,200)
Transfers in	8,000	5,000	11,000	6,000
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>8,200</u>	<u>12,200</u>	<u>11,000</u>	<u>(1,200)</u>
<i>Net change in fund balance</i>	-	-	(2,838)	(2,838)
<i>Fund balance - beginning of year</i>	-	-	5,146	5,146
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,308</u>	<u>\$ 2,308</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (2,838)	
No adjustments for revenue accruals			-	
Adjustments to expenditures for corrections fee accruals			(6,209)	
Net change in fund balance (GAAP)			<u>\$ (9,047)</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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	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	29,169	29,169	21,561	7,608
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>29,169</u>	<u>29,169</u>	<u>21,561</u>	<u>7,608</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(769)</u>	<u>(769)</u>	<u>6,839</u>	<u>7,608</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	769	769	-	(769)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>769</u>	<u>769</u>	<u>-</u>	<u>(769)</u>
<i>Net change in fund balance</i>	-	-	6,839	6,839
<i>Fund balance - beginning of year</i>	-	-	769	769
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,608</u>	<u>\$ 7,608</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 6,839	
No adjustments for revenue accruals			-	
No adjustments for expenditure accruals			-	
Net change in fund balance (GAAP)			<u>\$ 6,839</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, 2015

	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	77,000	77,000	76,678	(322)
Investment income	44	44	70	26
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>77,044</u>	<u>77,044</u>	<u>76,748</u>	<u>(296)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	155,000	155,000	128,143	26,857
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	65,000	65,000	25,100	39,900
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>220,000</u>	<u>220,000</u>	<u>153,243</u>	<u>66,757</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(142,956)</u>	<u>(142,956)</u>	<u>(76,495)</u>	<u>66,461</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(45,872)	(45,872)	-	45,872
Transfers in	188,828	188,828	188,828	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>142,956</u>	<u>142,956</u>	<u>188,828</u>	<u>45,872</u>
<i>Net change in fund balance</i>	-	-	112,333	112,333
<i>Fund balance - beginning of year</i>	-	-	84,506	84,506
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,839</u>	<u>\$ 196,839</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 112,333	
Adjustments to revenue for charges for services accruals			(27,074)	
Adjustments to expenditures for public safety accruals			(1,237)	
Net change in fund balance (GAAP)			<u>\$ 84,022</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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Other	210,100	215,100	247,716	32,616
Intergovernmental				
State operating grants	53,408	53,408	53,408	-
State capital grant	-	-	-	-
Charges for services	-	-	5,636	5,636
Investment income	65	65	71	6
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>263,573</u>	<u>268,573</u>	<u>306,831</u>	<u>38,258</u>
<i>Expenditures:</i>				
Current:				
General government	231,881	271,881	224,153	47,728
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>231,881</u>	<u>271,881</u>	<u>224,153</u>	<u>47,728</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>31,692</u>	<u>(3,308)</u>	<u>82,678</u>	<u>85,986</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	23,308	58,308	-	(58,308)
Transfers in	-	-	-	-
Transfers out	(55,000)	(55,000)	(55,000)	-
<i>Total other financing sources (uses)</i>	<u>(31,692)</u>	<u>3,308</u>	<u>(55,000)</u>	<u>(58,308)</u>
<i>Net change in fund balance</i>	-	-	27,678	27,678
<i>Fund balance - beginning of year</i>	-	-	107,065	107,065
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,743</u>	<u>\$ 134,743</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 27,678	
Adjustments to revenues for lodger's tax and state operating grants accruals			(14,266)	
Adjustments to expenditures for operating expenses accruals			(3,351)	
Net change in fund balance (GAAP)			<u>\$ 10,061</u>	

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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	122,000	122,000	135,236	13,236
Gasoline and motor vehicle	65,000	65,000	63,977	(1,023)
Intergovernmental				
State operating grants	40,000	40,000	40,663	663
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	75	75	113	38
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>227,075</u>	<u>227,075</u>	<u>239,989</u>	<u>12,914</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	264,717	264,717	227,477	37,240
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>264,717</u>	<u>264,717</u>	<u>227,477</u>	<u>37,240</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(37,642)</u>	<u>(37,642)</u>	<u>12,512</u>	<u>50,154</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	17,642	17,642	-	(17,642)
Transfers in	20,000	20,000	20,000	-
Transfers out	-	-	(542)	(542)
<i>Total other financing sources (uses)</i>	<u>37,642</u>	<u>37,642</u>	<u>19,458</u>	<u>(18,184)</u>
<i>Net change in fund balance</i>	-	-	31,970	31,970
<i>Fund balance - beginning of year</i>	-	-	192,260	192,260
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,230</u>	<u>\$ 224,230</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 31,970	
Adjustments to revenues for charges for services and state operating grants accruals			(13,558)	
Adjustments to expenditures for DWI expenses accrual			425	
Net change in fund balance (GAAP)			<u>\$ 18,837</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

City of Truth or Consequences
Municipal Pool 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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	700	1,700	1,013	(687)
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Charges for services	18,000	22,000	21,941	(59)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>18,700</u>	<u>23,700</u>	<u>22,954</u>	<u>(746)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	255,716	255,716	169,205	86,511
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>255,716</u>	<u>255,716</u>	<u>169,205</u>	<u>86,511</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(237,016)</u>	<u>(232,016)</u>	<u>(146,251)</u>	<u>85,765</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	16	(4,984)	-	4,984
Transfers in	237,000	237,000	202,750	(34,250)
Transfers out	-	-	(1,344)	(1,344)
<i>Total other financing sources (uses)</i>	<u>237,016</u>	<u>232,016</u>	<u>201,406</u>	<u>(30,610)</u>
<i>Net change in fund balance</i>	<u>(237,000)</u>	<u>-</u>	<u>55,155</u>	<u>55,155</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,362</u>	<u>5,362</u>
<i>Fund balance - end of year</i>	<u>\$ (237,000)</u>	<u>\$ -</u>	<u>\$ 60,517</u>	<u>\$ 60,517</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 55,155	
No adjustments for revenues accruals			-	
Adjustments to expenditures for culture and recreation			(9,324)	
Net change in fund balance (GAAP)			<u>\$ 45,831</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, 2015

	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	21,600	21,600	16,974	(4,626)
Charges for services	-	-	-	-
Miscellaneous	1,300	1,300	1,458	158
<i>Total revenues</i>	<u>22,900</u>	<u>22,900</u>	<u>18,432</u>	<u>(4,468)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	28,949	28,949	17,066	11,883
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>28,949</u>	<u>28,949</u>	<u>17,066</u>	<u>11,883</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,049)</u>	<u>(6,049)</u>	<u>1,366</u>	<u>7,415</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	6,049	6,049	-	(6,049)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>6,049</u>	<u>6,049</u>	<u>-</u>	<u>(6,049)</u>
<i>Net change in fund balance</i>	-	-	1,366	1,366
<i>Fund balance - beginning of year</i>	-	-	6,051	6,051
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,417</u>	<u>\$ 7,417</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,366	
Adjustments to revenues for state operating grants accruals			7	
No adjustments for expenditure accruals			-	
Net change in fund balance (GAAP)			<u>\$ 1,373</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, 2015

	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	800	800	1,550	750
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>800</u>	<u>800</u>	<u>1,550</u>	<u>750</u>
<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>	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(700)</u>	<u>(700)</u>	<u>1,550</u>	<u>2,250</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	700	700	-	(700)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>700</u>	<u>700</u>	<u>-</u>	<u>(700)</u>
<i>Net change in fund balance</i>	-	-	1,550	1,550
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>25,974</u>	<u>25,974</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,524</u>	<u>\$ 27,524</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,550	
No adjustments for revenue accruals			-	
No adjustments for expenditures accruals			-	
Net change in fund balance (GAAP)			<u>\$ 1,550</u>	

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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	1	1	-	(1)
<i>Total revenues</i>	<u>1</u>	<u>1</u>	<u>-</u>	<u>(1)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	1,064	1,064	-	1,064
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,064</u>	<u>1,064</u>	<u>-</u>	<u>1,064</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,063)</u>	<u>(1,063)</u>	<u>-</u>	<u>1,063</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,063	1,063	-	(1,063)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,063</u>	<u>1,063</u>	<u>-</u>	<u>(1,063)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	2,453	2,453
<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)			\$ -	
No adjustments for revenue accruals			-	
No adjustments for expenditures accruals			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

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, 2015

Statement B-12

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grants	61,252	61,252	-	(61,252)
State capital grant	-	-	-	-
Charges for services	20,430	20,430	-	(20,430)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>81,682</u>	<u>81,682</u>	<u>-</u>	<u>(81,682)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	19,252	19,252	-	19,252
Capital outlay	-	62,430	-	62,430
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>19,252</u>	<u>81,682</u>	<u>-</u>	<u>81,682</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>62,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(62,430)	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(62,430)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	88,170	88,170
<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)			\$ -	
No adjustments for revenue accruals			-	
No adjustments for expenditures accruals			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

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, 2015

Statement B-13

	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	100,000	100,000	-	(100,000)
State capital grant	-	-	-	-
Investment income	-	-	29	29
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>100,000</u>	<u>100,000</u>	<u>29</u>	<u>(99,971)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	133,000	133,000	27,403	105,597
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>133,000</u>	<u>133,000</u>	<u>27,403</u>	<u>105,597</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(33,000)</u>	<u>(33,000)</u>	<u>(27,374)</u>	<u>5,626</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	33,000	33,000	-	(33,000)
Transfers in	-	-	25,000	25,000
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>33,000</u>	<u>33,000</u>	<u>25,000</u>	<u>(8,000)</u>
<i>Net change in fund balance</i>	-	-	(2,374)	(2,374)
<i>Fund balance - beginning of year</i>	-	-	45,146	45,146
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,772</u>	<u>\$ 42,772</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (2,374)	
No adjustments for revenue accruals			-	
No adjustments for expenditures accruals			-	
Net change in fund balance (GAAP)			<u>\$ (2,374)</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, 2015

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grant	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	25,500	25,500	1,883	23,617
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>25,500</u>	<u>25,500</u>	<u>1,883</u>	<u>23,617</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(25,500)</u>	<u>(25,500)</u>	<u>(1,883)</u>	<u>23,617</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	500	500	-	(500)
Transfers in	25,000	25,000	25,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>25,500</u>	<u>25,500</u>	<u>25,000</u>	<u>(500)</u>
<i>Net change in fund balance</i>	-	-	23,117	23,117
<i>Fund balance - beginning of year</i>	-	-	16,600	16,600
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,717</u>	<u>\$ 39,717</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 23,117	
No adjustments for revenue accruals			-	
No adjustments for expenditures accruals			-	
Net change in fund balance (GAAP)			<u>\$ 23,117</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

City of Truth or Consequences
 USDA Street Sweeper 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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grant	-	-	-	-
State capital grants	-	-	-	-
Federal capital grants	-	93,500	93,500	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>93,500</u>	<u>93,500</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>93,500</u>	<u>93,500</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(93,500)	-	93,500
Transfers in	-	-	100	100
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(93,500)</u>	<u>100</u>	<u>93,600</u>
<i>Net change in fund balance</i>	-	-	93,600	93,600
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,600</u>	<u>\$ 93,600</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 93,600	
No adjustments for revenue accruals			-	
No adjustments for expenditures accruals			-	
Net change in fund balance (GAAP)			<u>\$ 93,600</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

City of Truth or Consequences

USDA WWTP 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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
State operating grant	-	-	-	-
State capital grants	-	-	-	-
Investment income	-	-	1	1
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	505,117	347,424	157,693
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>505,117</u>	<u>347,424</u>	<u>157,693</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(505,117)</u>	<u>(347,423)</u>	<u>157,694</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Proceeds from loan	-	505,117	505,117	-
Transfers in	-	-	1,244	1,244
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>505,117</u>	<u>506,361</u>	<u>1,244</u>
<i>Net change in fund balance</i>	-	-	158,938	158,938
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,938</u>	<u>\$ 158,938</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 158,938	
No adjustments for revenue accruals			-	
Adjustments to expenditures for public works			(12,803)	
Net change in fund balance (GAAP)			<u>\$ 146,135</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(2,500)	(2,500)	-	2,500
Transfers in	2,500	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>49,938</u>	<u>49,938</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,438</u>	<u>\$ 52,438</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-18

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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental				
State operating grants	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	10,000	10,000	1,230	8,770
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,000</u>	<u>10,000</u>	<u>1,230</u>	<u>8,770</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(1,230)</u>	<u>8,770</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	10,000	10,000	10,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	8,770	8,770
<i>Fund balance - beginning of year</i>	-	-	37,349	37,349
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,119</u>	<u>\$ 46,119</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 8,770	
No adjustments for revenue accruals			-	
Adjustments to expenditures for operating expenses accruals			103	
Net change in fund balance (GAAP)			<u>\$ 8,873</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-19

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, 2015

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental				
Federal capital grant	-	-	-	-
State operating grant	-	-	-	-
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	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	2,119	2,119
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,119</u>	<u>\$ 2,119</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments for revenue accruals			-	
No adjustments for expenditures accruals			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-20

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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	425,000	425,000	436,506	11,506
Intergovernmental				
State capital grants	-	-	4,722	4,722
Investment income	80	80	360	280
<i>Total revenues</i>	<u>425,080</u>	<u>425,080</u>	<u>441,588</u>	<u>16,508</u>
<i>Expenditures:</i>				
Current:				
General government	411	411	410	1
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	357,787	357,787	279,875	77,912
Interest	181,453	181,453	163,850	17,603
<i>Total expenditures</i>	<u>539,651</u>	<u>539,651</u>	<u>444,135</u>	<u>95,516</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(114,571)</u>	<u>(114,571)</u>	<u>(2,547)</u>	<u>112,024</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	114,571	114,571	-	(114,571)
Transfers in	-	-	142,520	142,520
Transfers out	-	-	(118,450)	(118,450)
<i>Total other financing sources (uses)</i>	<u>114,571</u>	<u>114,571</u>	<u>24,070</u>	<u>(90,501)</u>
<i>Net change in fund balance</i>	-	-	21,523	21,523
<i>Fund balance - beginning of year</i>	-	-	1,375,856	1,375,856
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,397,379</u>	<u>\$ 1,397,379</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 21,523	
Adjustments to revenues for gross receipts tax accruals			(7,811)	
No adjustments for expenditure accruals			-	
Net change in fund balance (GAAP)			<u>\$ 13,712</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, 2015

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	\$ 11,085	\$ 28,251	\$ 39,336
Receivables			
Charges for services, net	4,522	-	4,522
<i>Total current assets</i>	15,607	28,251	43,858
<i>Noncurrent assets</i>			
Capital assets	1,193,199	140,082	1,333,281
Accumulated depreciation	(411,248)	(23,368)	(434,616)
<i>Total noncurrent assets</i>	781,951	116,714	898,665
<i>Total assets</i>	\$ 797,558	\$ 144,965	\$ 942,523
<i>Liabilities and net position</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 9,807	\$ 303	\$ 10,110
<i>Total current liabilities</i>	9,807	303	10,110
<i>Net position</i>			
Net investment in capital assets	781,951	116,714	898,665
Unrestricted	5,800	27,948	33,748
<i>Total net position</i>	787,751	144,662	932,413
<i>Total liabilities and net position</i>	\$ 797,558	\$ 144,965	\$ 942,523

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, 2015

Statement C-2

	Business-Type Activities- Enterprise Funds		
	Golf Course Fund	Cemetery Fund	Total Nonmajor Enterprise Funds
<i>Operating revenues</i>			
Charges for services	\$ 6,921	\$ 10,590	\$ 17,511
<i>Total operating revenues</i>	<u>6,921</u>	<u>10,590</u>	<u>17,511</u>
<i>Operating expenses</i>			
General operating	65,864	7,376	73,240
Depreciation	23,419	4,634	28,053
Utilities	12,069	-	12,069
<i>Total operating expenses</i>	<u>101,352</u>	<u>12,010</u>	<u>113,362</u>
<i>Operating income (loss)</i>	<u>(94,431)</u>	<u>(1,420)</u>	<u>(95,851)</u>
<i>Non-operating revenues (expenses)</i>			
Investment income	9	4	13
Miscellaneous income	5,783	-	5,783
<i>Total non-operating revenues (expenses)</i>	<u>5,792</u>	<u>4</u>	<u>5,796</u>
<i>Income (loss) before contributions and transfers</i>	<u>(88,639)</u>	<u>(1,416)</u>	<u>(90,055)</u>
Capital contributions from governmental activities	22,102	-	22,102
Transfers related to current year capital assets	10,700	-	10,700
Transfers in	105,000	-	105,000
Transfers out	(25,000)	-	(25,000)
<i>Change in net position</i>	<u>24,163</u>	<u>(1,416)</u>	<u>22,747</u>
<i>Net position - beginning</i>	757,383	146,078	903,461
<i>Net position, restatement (note 20)</i>	<u>6,205</u>	<u>-</u>	<u>6,205</u>
<i>Net position - beginning as restated</i>	<u>763,588</u>	<u>146,078</u>	<u>909,666</u>
<i>Net position - end of year</i>	<u>\$ 787,751</u>	<u>\$ 144,662</u>	<u>\$ 932,413</u>

The accompanying notes are an integral part of these financial statement

STATE OF NEW MEXICO
City of Truth or Consequences
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2015

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	\$ 3,121	\$ 10,590	\$ 13,711
Cash payments to suppliers for goods and services	(70,443)	(7,727)	(78,170)
<i>Net cash provided (used) by operating activities</i>	<u>(67,322)</u>	<u>2,863</u>	<u>(64,459)</u>
<i>Cash flows from noncapital financing activities</i>			
Miscellaneous income	5,783	-	5,783
Transfers	80,000	-	80,000
<i>Net cash provided provided by noncapital financing activities</i>	<u>85,783</u>	<u>-</u>	<u>85,783</u>
<i>Cash flows from investing activities</i>			
Interest on investments	9	4	13
<i>Net cash provided by investing activities</i>	<u>9</u>	<u>4</u>	<u>13</u>
<i>Cash flows from capital and related financing activities</i>			
Acquisition of capital assets	(14,179)	-	(14,179)
<i>Net cash (used) by capital and related financing activities</i>	<u>(14,179)</u>	<u>-</u>	<u>(14,179)</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	4,291	2,867	7,158
<i>Cash and cash equivalents - beginning of year</i>	<u>6,794</u>	<u>25,384</u>	<u>32,178</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 11,085</u>	<u>\$ 28,251</u>	<u>\$ 39,336</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (94,431)	\$ (1,420)	(95,851)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	23,419	4,634	28,053
Changes in assets and liabilities			
Receivables	(3,800)	-	(3,800)
Accounts payable	7,490	(351)	7,139
<i>Net cash provided (used) by operating activities</i>	<u>\$ (67,322)</u>	<u>\$ 2,863</u>	<u>\$ (64,459)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-1

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, 2015

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 9,452,460	\$ 9,452,460	\$ 9,561,857	\$ 109,397
<i>Total operating revenues</i>	<u>9,452,460</u>	<u>9,452,460</u>	<u>9,561,857</u>	<u>109,397</u>
<i>Operating expenses:</i>				
General operating	6,081,455	6,147,109	5,961,669	185,440
Personnel services	1,848,891	1,786,107	1,524,591	261,516
<i>Total operating expenses</i>	<u>7,930,346</u>	<u>7,933,216</u>	<u>7,486,260</u>	<u>446,956</u>
<i>Operating income (loss)</i>	<u>1,522,114</u>	<u>1,519,244</u>	<u>2,075,597</u>	<u>556,353</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	(97,948)	(97,948)	(141,899)	(43,951)
Interest income	3,050	3,350	6,256	2,906
Miscellaneous income	-	4,000	5,243	1,243
<i>Total non-operating revenues (expenses)</i>	<u>(94,898)</u>	<u>(90,598)</u>	<u>(55,400)</u>	<u>35,198</u>
<i>Income (loss) before contributions and transfers</i>	<u>1,427,216</u>	<u>1,428,646</u>	<u>2,020,197</u>	<u>591,551</u>
Government contributions	175,000	175,000	31,498	(143,502)
Transfers	468,550	468,550	(1,360,858)	(1,829,408)
<i>Change in net position</i>	<u>(2,070,766)</u>	<u>(2,072,196)</u>	<u>690,837</u>	<u>(1,381,359)</u>
Designated cash	2,070,766	2,072,196	-	(2,072,196)
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>6,056,773</u>	<u>6,056,773</u>
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>(96,000)</u>	<u>(96,000)</u>
<i>Total net position, beginning as restated</i>	<u>-</u>	<u>-</u>	<u>5,960,773</u>	<u>5,960,773</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,651,610</u>	<u>\$ 6,651,610</u>
Change in net position (non-GAAP budgetary basis)			\$ 690,837	
Adjustments to revenues for charges for services accruals			42,486	
Adjustments to expenses for salaries and general operating expense accruals			740,371	
Depreciation			(334,712)	
Change in net position (GAAP)			<u>\$ 1,138,982</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-2

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, 2015

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ 6,000	\$ 6,000	6,321	\$ 321
Charges for services	194,200	194,200	211,249	17,049
<i>Total operating revenues</i>	200,200	200,200	217,570	17,370
<i>Operating expenses:</i>				
General operating	665,740	665,912	315,543	350,369
Personnel services	68,297	68,125	69,836	(1,711)
<i>Total operating expenses</i>	734,037	734,037	385,379	348,658
<i>Operating income (loss)</i>	(533,837)	(533,837)	(167,809)	366,028
<i>Non-operating revenues (expenses):</i>				
Interest income	23	23	22	(1)
Miscellaneous income	100	100	-	(100)
<i>Total non-operating revenues (expenses)</i>	123	123	22	(101)
<i>Income (loss) before contributions and transfers</i>	(533,714)	(533,714)	(167,787)	365,927
Government contributions	423,000	423,000	81,703	(341,297)
Transfers	70,000	70,000	30,000	(40,000)
<i>Change in net position</i>	40,714	40,714	(56,084)	(15,370)
Designated cash	(40,714)	(40,714)	-	(40,714)
<i>Total net position, beginning of year</i>	-	-	163,870	163,870
<i>Total net position, end of year</i>	\$ -	\$ -	\$ 107,786	\$ 107,786
Change in net position (non-GAAP budgetary basis)			\$ (56,084)	
Adjustments to revenues for transfers.			59,787	
Adjustments to expenses for general operating expense accruals.			(32,923)	
Depreciation			(97,500)	
Change in net position (GAAP)			\$ (126,720)	

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, 2015

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 468,042	\$ 468,042	\$ 541,601	\$ 73,559
<i>Total operating revenues</i>	468,042	468,042	541,601	73,559
<i>Operating expenses:</i>				
General operating	956,169	956,169	434,578	521,591
Personnel services	-	-	-	-
<i>Total operating expenses</i>	956,169	956,169	434,578	521,591
<i>Operating income (loss)</i>	(488,127)	(488,127)	107,023	595,150
<i>Non-operating revenues (expenses):</i>				
Interest income	250	250	295	45
Gross receipts taxes	-	-	10,337	10,337
Sale of fixed assets	-	-	95,000	95,000
<i>Total non-operating revenues (expenses)</i>	250	250	105,632	105,382
<i>Income (loss) before contributions and transfers</i>	(487,877)	(487,877)	212,655	700,532
Transfers	-	-	(17,172)	(17,172)
<i>Change in net position</i>	487,877	487,877	195,483	683,360
Designated cash	(487,877)	(487,877)	-	487,877
<i>Total net position, beginning of year</i>	-	-	568,115	568,115
<i>Total net position, end of year</i>	\$ -	\$ -	\$ 763,598	\$ 763,598
Change in net position (non-GAAP budgetary basis)			\$ 195,483	
Adjustments to revenues for charges for services accruals.			77,656	
Adjustments to expenses for general operating expenses.			(171,302)	
Depreciation			(136,994)	
Change in net position (GAAP)			\$ (35,157)	

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, 2015

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	\$ 8,820	\$ 8,820	\$ 7,497	\$ (1,323)
<i>Total operating revenues</i>	<u>8,820</u>	<u>8,820</u>	<u>7,497</u>	<u>(1,323)</u>
<i>Operating expenses:</i>				
General operating	80,400	80,233	70,236	9,997
Personnel services	-	-	-	-
Utilities	15,000	15,167	14,386	781
<i>Total operating expenses</i>	<u>95,400</u>	<u>95,400</u>	<u>84,622</u>	<u>10,778</u>
<i>Operating income (loss)</i>	<u>(86,580)</u>	<u>(86,580)</u>	<u>(77,125)</u>	<u>9,455</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	10	10	9	(1)
Miscellaneous income	1,500	1,500	1,407	(93)
<i>Total non-operating revenues (expenses)</i>	<u>1,510</u>	<u>1,510</u>	<u>1,416</u>	<u>(94)</u>
<i>Income (loss) before contributions and transfers</i>	<u>(85,070)</u>	<u>(85,070)</u>	<u>(78,541)</u>	<u>9,549</u>
Transfers	105,000	105,000	80,000	(25,000)
<i>Change in net position</i>	(19,930)	(19,930)	4,291	(15,639)
Designated cash	19,930	19,930	-	19,930
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>6,794</u>	<u>6,794</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,085</u>	<u>\$ 11,085</u>
Change in net position (non-GAAP budgetary basis)			\$ 4,291	
Adjustments to revenues for fees and gross receipts taxes.			36,602	
Adjustments to expenditures for general operating expense accruals.			6,689	
Depreciation			<u>(23,419)</u>	
Change in net position (GAAP)			<u>\$ 24,163</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-5

City of Truth or Consequences

Statement of Revenues, Expenses and Changes in Net Position

Budget (Non-GAAP Budgetary Basis) and Actual

Cemetery Fund

For the Year Ended June 30, 2015

	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	\$ 10,590	\$ (1,410)
<i>Total operating revenues</i>	<u>12,000</u>	<u>12,000</u>	<u>10,590</u>	<u>(1,410)</u>
<i>Operating expenses:</i>				
General operating	12,000	12,000	7,727	4,273
Personnel services	-	-	-	-
<i>Total operating expenses</i>	<u>12,000</u>	<u>12,000</u>	<u>7,727</u>	<u>4,273</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>-</u>	<u>2,863</u>	<u>2,863</u>
<i>Non-operating revenues (expenses):</i>				
Proceeds from bonds	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	4	4
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
<i>Income (loss) before contributions and transfers</i>	<u>-</u>	<u>-</u>	<u>2,867</u>	<u>2,867</u>
Transfers	-	-	-	-
<i>Change in net position</i>	<u>-</u>	<u>-</u>	<u>2,867</u>	<u>2,867</u>
Designated cash	-	-	-	-
<i>Total net position, beginning of year</i>	<u>-</u>	<u>-</u>	<u>25,384</u>	<u>25,384</u>
<i>Total net position, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,251</u>	<u>\$ 28,251</u>
Change in net position (non-GAAP budgetary basis)			\$ 2,867	
No adjustments for revenues accruals.			-	
Adjustments to expenses for general operating expenses accruals			351	
Depreciation			(4,634)	
Change in net position (GAAP)			<u>\$ (1,416)</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, 2015

Bank Name	Account Type	Totals
Bank of the Southwest		
General Fund	Demand Account	\$ 2,671
Joint Utility Income	Demand Account	118,867
Solid Waste Disposal	Demand Account	335
Street Renovation	Demand Account	5,149
C I Joint Utility	Demand Account	4
Payroll Revolving Fund	Demand Account	52,296
Total Bank of the Southwest		<u>179,322</u>
First Savings Bank		
General Fund	Demand Account	855,918
Joint Utility Income	Demand Account	1,547,026
Solid Waste Disposal	Demand Account	764,119
Street Renovation	Demand Account	219,082
C I Joint Utility	Demand Account	115,543
Payroll Revolving Fund	Demand Account	453,274
PD Bond Account	Demand Account	1,000
Pledge State Tax	Demand Account	116,429
State Fire Fund	Demand Account	274,196
Municipal Recreation	Demand Account	49,296
Court Cost	Demand Account	2,308
Law Enforcement	Demand Account	7,608
Police Department Donation	Demand Account	10,258
PD Confidential Fund	Demand Account	5,559
PD GRT Fund	Demand Account	196,839
Lodgers Tax	Demand Account	131,381
Special Appropriations Effluent Water	Demand Account	308,082
Golf Course	Demand Account	10,228
Airport Hanger	Demand Account	45,284
Electrical Construction	Demand Account	79,116
Veteran's Wall	Demand Account	46,119
Municipal Pool	Demand Account	60,517
Senior Transportation	Demand Account	88,170
Veteran's Wall Perpetual Care	Demand Account	27,524
C I General	Demand Account	42,772
Golf Course Improvement	Demand Account	39,717
USDA Sweeper	Demand Account	93,600
Internal Services	Demand Account	58,972
JT Utility Emergency Repair Fund	Demand Account	52,438
R & R Airport	Demand Account	62,202
R & R Water Fund	Demand Account	6,694
CDBG Comprehensive	Demand Account	2,119
Capital Improvement Reserves	Demand Account	806,937
Emergency Repair Reserves	Demand Account	76,931
Wastewater Repair Reserves	Demand Account	75,147
Electrical Construction Reserves	Demand Account	70,580
Federal Seizure Share	Demand Account	2,453
Pledged State	Time Account	584,863
Subtotal for First Savings Bank		<u>7,390,301</u>

See Independent Auditors' Report

<u>Bank Name/ Account Type</u>	<u>Totals</u>
Subtotal for First Savings Bank from prior page	7,390,301
R & R Sewer	Time Account 143,190
R & R Water	Time Account 126,531
Electric	Time Account 500,000
Total First Savings Bank	<u>8,160,022</u>
BBVA Compass Bank	
Cemetery Fund	Demand Account 28,251
Library Fund	Demand Account 7,417
Emergency Repair Reserves	Time Account 81,340
Waste Water Reserve	Time Account 101,835
Electrical Construction Reserve	Time Account 82,514
USDA WWTP	Demand Account 858
Capital improvement reserve	Time Account 1,018,325
Total BBVA Compass Bank	<u>1,320,540</u>
NMFA	
Police Department Building	Cash / Investment 21,471
1996 Refunding	Cash / Investment 314,252
Storage Tanks	Cash / Investment 29,198
Upgrade Low Voltage	Cash / Investment 172,965
Street Improvements	Cash / Investment 179,672
Fire Pumper	Cash / Investment 93
Water Tanks	Cash / Investment 9,793
Refunding 95,96,98	Cash / Investment 107,769
Wastewater Syst. Imp.	Cash / Investment 75,000
Total NMFA	<u>910,213</u>
RCAC	
Water Treatment Facility Final Design	Cash / Investment 158,080
Total RCAC	<u>158,080</u>
NM LGIP Fund	
LGIP Fund	Investment 1,300,463
Total NM LGIP	<u>1,300,463</u>
Total on deposit and investments	<u>12,028,640</u>
Reconciling items	<u>(380,901)</u>
Total Deposits and Investments	<u>\$ 11,647,739</u>
Add: Petty cash	963
Less: Restricted cash and cash equivalents per Exhibit A-1	(1,694,842)
Less: Investments per Exhibit A-1	(3,939,061)
Less: Restricted Investments per Exhibit A-1	(698,703)
Total unrestricted cash and cash equivalents per Exhibit A-1	<u>\$ 5,316,096</u>

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STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2015

Schedule IV

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2015	Location of Safekeeper
Compass Bank					
	FHLB Atlanta	12/1/2015	73053	\$ 2,000,000	Compass Bank, Birmingham, Alabama
	Total Compass Bank			<u>2,000,000</u>	
First Savings Bank					
	FHLMC AGENCY	5/30/2019	3137EADG1	2,022,646	Federal Reserve, Beresford SD
	FNMA 15 YR	8/1/2026	31417Y4X2	524,501	Federal Reserve, Beresford SD
	FNMA 15 YR	12/1/2026	3138E1HB6	1,944,089	Federal Reserve, Beresford SD
	GNMA 15 YR	2/15/2027	36176XBY4	1,732,427	Federal Reserve, Beresford SD
	GNMA III 15 YR	3/20/2027	36202F4K9	1,025,703	Federal Reserve, Beresford SD
	FNR 2012-66 HE	6/25/2027	3136A6A20	<u>881,906</u>	Federal Reserve, Beresford SD
	Total First Savings Bank			<u>8,131,272</u>	
	Total Pledged Collateral			<u><u>\$ 10,131,272</u></u>	

See Independent Auditors' Report.

STATE OF NEW MEXICO
City of Truth or Consequences
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)
For the Year Ended June 30, 2015

RFB/ RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract
None noted				

See independent auditors' report

Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work
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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

Timothy Keller
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, 2015, 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 December 7, 2015. 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items FS 2011-001, FS 2012-003, FS 2013-002 and FS 2015-002 to be material weaknesses.

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 2015-001, FS 2015-003, 2015-001, 2015-002, 2014-002, and 2015-003.

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
December 7, 2015

Section I – Summary of Auditors’ Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

- FS 2009-002 (FS 2009-02) Capital Assets – Inventory Control Numbers (Significant Deficiency) - Resolved
- FS 2011-001 (FS 2011-01) Design Deficiencies in Internal Control over Financial Reporting (Material Weakness) – Repeated and Modified
- FS 2012-003 (FS 2012-03) Capital Assets (Material Weakness) – Repeated and Modified
- FS 2013-002 Inventory Control (Material Weakness) – Repeated and Modified
- FS 2014-001 Stale Dated Transactions Not Cancelled (Other Matter) – Repeated and Modified
- FS 2014-002 Late Payment of Payroll Taxes (Other Matter) - Resolved
- FS 2014-003 Internal Controls over Travel and Per Diem (Other Matter) - Resolved

Component Unit Finding

- 2014-001 Maintenance of Personnel Records (Other) - Resolved
- 2014-002 Section 8 Housing Choice Vouchers (Other) – Repeated and Modified

Section III – Findings - Financial Statement Audit- Primary Government

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.
- 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.
- 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:

Re: Manual Journal Entries

Responsible Party: Finance Director or Designee

Due Date: Immediately (implemented August 2015 with new system)

Response: All journal entries are completed by the Accounting Officer and come directly to the Finance Director for electronic review and approval. In the absence of the Finance Director, the City Manager has the authority to review and approve.

Re: Segregation of Duties

Responsible Party: Finance Director

Due Date: No later than January 31, 2016

Response: Staff will be cross-trained to perform limited HR or Payroll duties. This staff will be utilized when the assigned staff is unavailable and needed services are pending.

Re: Internal Control Risks

Responsible Party: Finance Director

Due Date: Immediately (implemented August 2015 with new system)

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) (continued)

Agency's Response (continued):

The City has acquired a new accounting system. This system was installed with oversight from the Finance Director who implemented levels of authority, review, input and control for each staff member in the Finance Department. These individuals are electronically authorized only to perform certain processes within their scope of work. In addition, all department managers within the City were authorized the same level of control in their budget scope. Only the Finance Director can authorize additions to any staff members' scope of authority. Appropriate policies and procedures are being created and adjusted as needed to reflect regulatory requirements and will be completed no later than January 31, 2016.

The City Finance Director attended an "internal control" class entitled 2 CFR 200- Internal Control Workshop at the New Mexico Infrastructure Finance Conference, Wednesday, October 28, 2015, in Albuquerque NM.

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

Condition: During testwork of capital assets we noted the City understated capital asset additions in the amount of \$192,814. The following assets were additions to the City, but were not added to the fixed assets listing: Joint Utility Water Asset Management Plan for \$17,923 and Joint Utility WWTP Improvement Phase I for \$174,892. The City made progress on clearing this finding in the current year, including hiring an outside firm to correct the list of City assets and perform year-end physical counts. However, the City had this included in their capital asset folder, but the City failed to include it on the construction in progress listing presented.

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.

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

Cause: The City did not follow internal controls in place to review the asset detail listing to ensure that it reconciled to the general ledger.

Auditors' Recommendations: The City should ensure that all implemented internal controls are followed to manage and monitor the City's capital asset listing.

Agency's Response:

Responsible Party: Finance Director or Designee

Due Date: Immediately for tracking; Module implementation and cross-over, no later than March 31, 2016.

Response: Finance Director or Designee tracks all capital asset purchases or capital asset deletions. All assets are tracked via an excel spreadsheet for the City that was prepared by an external audit company. In addition, the new accounting system purchased includes Fixed Assets and Inventory Modules, which will track all asset creation and deletion electronically within the Finance Accounting system, in addition to inventory levels at all departments. Appropriate policies and procedures are being created and adjusted as needed to reflect regulatory requirements and will be completed no later than January 31, 2016.

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:

- The inventory listing for the Electric department was not correct. The formula in the total column was not calculating the quantity times the unit price correctly causing an overstatement of \$97,474.

The City, with the guidance an outside firm and finance staff, continue to work to develop procedures for the consumable inventory items.

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 management of inventory listings, a material misstatement could be made to the inventory listed on the financial statements.

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.

Agency's Response:

Responsible Party: Finance Director and Department Directors

Due Date: Immediately for department tracking; March 31, 2016 for electronic system implementation; January 31, 2016 for policies and procedures

Response: Department Directors are currently utilizing an excel spreadsheet for internal inventory tracking. The new accounting system purchased includes an Inventory Module, which will track all inventory purchases and usages at all departments. Implementation and training will occur no later than March 31, 2016. Appropriate policies and procedures are being created and adjusted as needed to reflect regulatory requirements and will be completed no later than January 31, 2016.

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

FS 2014-001 Stale Dated Transactions Not Cancelled (Repeated/Modified) (Finding that does not rise to the level of significant deficiency)

Condition: The City is in violation of state statutes regarding stale-dated checks. The City had checks over one year old at June 30, 2015 in the following accounts:

- General Fund account had 1 stale dated check for \$100
- Payroll Revolving account had 24 stale dated checks for a total amount of \$1,662

The City made process in clearing some of the stale dated checks, however is still in the process of removing the ones noted above.

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:

Responsible Party: Accounting Officer and Finance Director or Designee

Due Date: Immediately

Response: Finance Director has provided the Accounting Technician with the required documentation to prepare and submit all funds from stale dated checks to the NM Taxation and Revenue Department. The Accounting Officer will develop an excel spreadsheet to track all stale dated checks to ensure timely compliance. This spreadsheet is updated monthly upon completion of the bank reconciliations.

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

FS 2015-001 RHC Remittances and Recording (Finding that does not rise to the level of significant deficiency)

Condition: From testwork performed it was noted that the City was not making the correct RHC contributions. The City was including ineligible employee wages in calculating the contribution amount due to a lack of internal controls and lack of management review.

Criteria: Section 2.2.2.10G(17) NMAC (Audit Rule) requires that total wages paid by a public entity must be reported to the Retiree Health Care Authority.

Effect: Total contributions due to Retiree Health Care Authority may not have been accurately reported or remitted.

Cause: The City is not effectively reporting the City and employee withholding contributions to RHC.

Auditor's Recommendation: We recommend the City perform a reconciliation of total wages paid per pay period to the total wages subject to RHC withholding per pay period and report the withheld amount at the time of the Payroll run.

Agency's Response:

Responsible Party: Payroll Clerk and Finance Director (or designee)

Due Date: Immediately

Response: Payroll clerk will reconcile all payments due during each payroll cycle and prepare the reconciling report and present to the Finance Director or their designee for approval. Finance Director or designee will ensure all reports balance with the payroll documents and sign off on the same. In addition, outstanding/stale checks will be reviewed on a monthly basis to ensure payments are received by payroll vendors.

FS 2015-002 – Joint Utility Receivables (Material Weakness)

Condition: The City's report for the Joint Utility accounts receivable balance (Aged TB) has material errors in calculating the ending balance owed to the City for outstanding billed utilities.

Criteria: Generally Accepted Accounting Principles (GAAP) state that revenue and expense recognition is recognized in the period in which the expense is incurred.

Effect: Preparing an accurate joint utility receivable listing is essential to City operational and management decisions. Incorrect preparation of the joint utility receivable could lead to misstating the balances and the related expenditures in the proper periods.

Cause: During the preparation of the Aged TB the system experienced an error which caused the system to leave out the outstanding balances of a significant amount of clients from the Aged TB.

Auditors' Recommendations: We recommend that an appropriate reconciliation procedure take place to ensure the amounts shown in the report are correct. We also recommend that software updates be made so the City's computer system will properly account for all additions, deletions, and any other adjustments to utilities.

Agency's Response:

Responsible Party: Utility Department Supervisor and Finance Director (or designee)

Due Date: Immediately

Response: A new accounting system for Utility Billing has been implemented which will allow documents to be timely and accurate. Utility Billing Supervisor will review all outstanding accounts receivable on a monthly basis to ensure appropriate balances are being carried forward. Any outstanding issues or concerns will be presented to the Finance Director for additional direction if needed.

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

FS 2015-003 – Designated Cash Appropriations in Excess of Available Balances (Finding that does not rise to the level of significant deficiency)

Condition: The correction fees fund has designated cash of \$7,200, but only had available cash & AR in prior year of \$5,146. The City over appropriated available cash by \$2,054.

Criteria: Section 2.2.2.10 (O)(1)(b), NMAC, states that the City's cash balances rebudgeted to absorb budget deficits cannot exceed the actual cash and receivable balance available at the end of the prior year.

Effect: The effect of a budget with inadequate designated cash available to cover the excess of budgeted expenditures over budgeted revenue could result in the City incurring debt to pay for current year budgeted expenditures.

Cause: Inadequate monitoring of budget transfers in order to update the budget in accordance with available cash.

Auditors' Recommendations: Greater attention should be given throughout the year to the cash balances actually available and budget adjustments in order to cover budgeted expenditures in excess of budgeted revenues, which include proper monitoring of year end cash balances and any necessary budget transfers throughout the year.

Agency's Response:

Responsible Party: Accounting Officer and Finance Director (or designee)

Due Date: Immediately

Response: Monthly reconciliation reports will be reviewed to ensure adequate budget and authority is in place for all departments. Accounting Officer will prepare and review the same and report any needed changes to the Finance Director monthly. The Accounting Officer will assist all department managers with preparation of budget transfer documents if needed, to ensure timely compliance.

Section IV – Findings – Component Unit

Financial Statement Audit

2015-001 Payment of Payroll Liabilities (Other Noncompliance)

Condition: In a test of all payroll reporting transactions, we noted several instances where payroll withholding tax deposits were not paid timely; state withholding was not paid timely, resulting in \$492 in penalties; and reports and payments to the Public Employee Retirement System and the Retiree Health Care Board were not timely.

Criteria: Federal and New Mexico regulations specify the timing of reporting and payments of the various payroll withholdings and charges. Noncompliance with those regulations subjects the Authority to penalties and interest.

Effect: Federal and New Mexico regulations have been violated, and the Authority has incurred penalties and interest on the late payments.

Cause: The Authority underwent significant accounting personnel turnover during the fiscal year, and the remaining personnel were not adequately trained to meet the payroll reporting deadlines.

Auditors' Recommendation: We recommend that the Authority calendar each payroll reporting and payment requirement, and utilize that calendar to ensure timely reporting and payment of payroll liabilities.

Agency's Response: The Executive Director has taken an active role in payroll reporting, and personnel have been trained in payroll reporting. It is believed that the lack of proper payroll reporting has already been addressed, and current personnel now know the payroll reporting requirements. Calendars have been created, and are being used by current personnel to ensure that payroll reporting and liability payments are timely.

2015-002 Public Employee Retirement Board Reporting (Other Noncompliance)

Condition: The Authority pays a portion of its employees' retirement contributions. However, the Authority has not reported the amounts paid on the employees behalf to the Public Employees Retirement Board (PERA), but has listed these amounts as employee contributions.

Criteria: PERA requires reporting of contributions made on employees' behalf separately, so that amounts actually paid by employees and employers can be identified.

Effect: Reporting employer contributions as employee contributions could cause a misstatement of pension expense in the Authority's financial statements, due to the fact that actual employer contributions are required to determine pension expense at the PERA level.

Cause: The Authority was unaware that this distinction was required.

Auditors' Recommendation: We recommend that the Authority report the actual amounts paid by employees and the employer on its monthly reports to PERA.

Agency's Response: The PERA reports will be filed showing actual employee and employer contributions, commencing with the next scheduled filing. The accounting assistant will prepare the reports and the Executive Director will review them prior to submission.

Section IV – Findings – Component Unit (continued)

Federal Awards

2014-002 Section 8 Housing Choice Vouchers (Repeated/Modified) (Other)

CFDA No. 14.871

Grant No. NM020

Grant period-Year ended June 30, 2015

Condition: In a review of 40 applicant files, we noted the following:

- 2 files did not contain citizenship declarations
- 4 files did not contain the fingerprint/ background check
- 5 files did not contain complete contract information
- 3 files did not contain the violence against women lease addendum

The Authority's corrective action plan was put into place during the 2014-15 fiscal year, but due to employee turnover, not all files were reviewed.

Criteria: Federal regulations require that citizenship declarations, fingerprint/background checks, contact information and violence against women lease addendums 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 updates were completed for those files scheduled to be updated, but due to the lack of employee availability, not all files were reviewed.

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. However, the Executive Director will oversee the review of all files, in conjunction with available employees, to ensure that the files contain the necessary information. It is expected that this review will be completed by June 30, 2016.

Section IV – Findings – Component Unit (continued)

Federal Awards

2015-003 Department of Agriculture (Other Noncompliance)

CFDA No. 10.415
Loan No. 001
Project No. 01 4
Grant period-Year ended June 30, 2015

Condition: The Authority did not make the required transfers to its reserve account as required by the loan agreement. The transfers were \$925 less than those required.

Criteria: The Authority's loan agreements require that \$11,113 be transferred into a reserve and replacement account annually.

Effect: The loan agreement has been breached, and, in the extreme, could accelerate the loan to "immediately due" status.

Cause: Significant unplanned personnel turnover in the Authority's accounting department created a void which caused the transfer not to be made in one month during the year.

Auditors' Recommendation: We recommend that the Authority make up the required transfer, and make future monthly transfers as required.

Agency's Response: The Executive Director will track the monthly transfers. The make-up transfer has already been made, and the monthly review of transfers has already been instituted.

STATE OF NEW MEXICO
City of Truth or Consequences
Other Disclosures
June 30, 2015

Exit Conference

An exit conference was held on December 7, 2015. In attendance were the following:

Representing the City of Truth or Consequences:

Sandra Whitehead	City Commissioner/Mayor
Juan Fuentes	City Manager
Lori Montgomery	Finance Director

Representing Accounting & Consulting Group, LLP:

Roxie Samaniego, CPA	Partner
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Auditor Prepared Financial Statements

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