

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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CITY OF TRUTH OR CONSEQUENCES
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STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES

Official Roster

June 30, 2017

<u>Title</u>	<u>Name</u>
City Commissioner/Mayor.....	Steve Green
Mayor Pro-Tem.....	Sandra Whitehead
City Commissioner.....	Kathy Clark
City Commissioner.....	Rolf Hechler
City Commissioner.....	Joshua Frankel
City Manager.....	Juan Fuentes
Finance Director.....	Melissa Torres
City Clerk	Renee Cantin
Municipal Judge	Judge B. Sanders
City Attorney	Attorney Jay F. Rubin
	Coppler Law Firm

HOUSING AUTHORITY

Chairman	Greg D'Amour
Vice Chairman	LeeAnn Tooley
Commissioner.....	Daniel Mena
Commissioner	Earl Greer
Commissioner	Chris O'Rourke
Executive Director	Steven Rice



INDEPENDENT AUDITORS' REPORT

To the City Commission
City of Truth or Consequences
and Mr. Wayne A. Johnson
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Truth or Consequences (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 misstatement, 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 Housing Authority, which represents 14.78 percent, 7.88 percent, and 0.10 percent, respectively, of the assets, net position, and revenues of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included in the Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions* on pages 62-63 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we 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.

Management has omitted 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.

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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 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 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.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
December 15, 2017

BASIC FINANCIAL STATEMENT

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION
June 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash, investments and cash equivalents	\$ 2,739,451	4,107,282	6,846,733	769,494
Investments	690,149	3,378,286	4,068,435	346,014
Receivables:				
Property taxes	29,423	-	29,423	-
Other taxes	616,868	-	616,868	-
Charges for services, net	-	603,273	603,273	-
Notes receivable	-	-	-	322,878
Prepaid expenses	-	-	-	31,490
Due from tenants	-	-	-	7,035
Inventory	261,176	756,175	1,017,351	6,737
Total current assets	<u>4,337,067</u>	<u>8,845,016</u>	<u>13,182,083</u>	<u>1,483,648</u>
Noncurrent assets				
Restricted cash and cash equivalents	516,983	1,092,015	1,608,998	188,446
Capital assets	21,407,883	30,972,203	52,380,086	8,881,592
Less: Accumulated depreciation	(9,645,126)	(13,052,891)	(22,698,017)	(5,646,884)
Total noncurrent assets	<u>12,279,740</u>	<u>19,011,327</u>	<u>31,291,067</u>	<u>3,423,154</u>
Total assets	<u>16,616,807</u>	<u>27,856,343</u>	<u>44,473,150</u>	<u>4,906,802</u>
DEFERRED OUTFLOWS - Pension Related	<u>1,793,695</u>	<u>533,986</u>	<u>2,327,681</u>	<u>470,324</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities				
Accounts payable	153,988	475,727	629,715	15,820
Accrued payroll expenses	43,098	-	43,098	52,922
Accrued interest	11,705	13,399	25,104	-
Tenant deposit	-	-	-	44,474
Customer deposits	-	213,590	213,590	-
FSS deposits	-	-	-	56,180
Due within one year				
Bonds, notes and loans payable	246,927	818,551	1,065,478	38,615
Compensated absences	82,225	36,467	118,692	-
Total current liabilities	<u>537,943</u>	<u>1,557,734</u>	<u>2,095,677</u>	<u>208,011</u>
Due in more than one year				
Bonds, notes and loans payable	3,329,237	4,289,697	7,618,934	809,626
Compensated absences	164,476	73,639	238,115	35,832
Accrued landfill closure costs	-	921,034	921,034	-
Net Pension Liability	4,826,677	1,782,402	6,609,079	1,287,719
Total noncurrent liabilities	<u>8,320,390</u>	<u>7,066,772</u>	<u>15,387,162</u>	<u>2,133,177</u>
Total liabilities	<u>8,858,333</u>	<u>8,624,506</u>	<u>17,482,839</u>	<u>2,341,188</u>
DEFERRED INFLOWS - Pension Related	<u>333,609</u>	<u>123,196</u>	<u>456,805</u>	<u>127,423</u>
NET POSITION				
Net investment in capital assets	8,186,593	12,811,064	20,997,657	2,386,467
Restricted for				
Special projects	1,209,988	-	1,209,988	-
Debt service	1,392,214	818,551	2,210,765	-
Capital outlay	449,006	-	449,006	-
Housing assistance payments	-	-	-	702
Committed To				
Subsequent year's expenditures	450,361	-	450,361	-
Unrestricted (Deficit)	(2,469,602)	6,013,012	3,543,410	521,346
Total net position	<u>\$ 9,218,560</u>	<u>19,642,627</u>	<u>28,861,187</u>	<u>2,908,515</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 2,161,710	164,740	298,105	23,380	(1,675,485)	-	(1,675,485)	-
Public safety	1,979,869	62,328	310,371	-	(1,607,170)	-	(1,607,170)	-
Public works	867,355	-	176,937	-	(690,418)	-	(690,418)	-
Culture and recreation	530,618	15,287	11,599	-	(503,732)	-	(503,732)	-
Health and welfare	218,690	-	-	-	(218,690)	-	(218,690)	-
Capital Outlay	480,153	102,757	270,000	-	(107,396)	-	(107,396)	-
Interest on long-term debt	124,404	-	-	-	(124,404)	-	(124,404)	-
Total governmental activities	<u>6,362,799</u>	<u>345,112</u>	<u>1,067,012</u>	<u>23,380</u>	<u>(4,927,295)</u>	<u>-</u>	<u>(4,927,295)</u>	<u>-</u>
Business-Type Activities								
Joint utility	-	-	-	-	-	-	-	-
Joint utility office	277,105	11,855	-	-	-	(265,250)	(265,250)	-
Electric	4,568,771	6,226,870	-	-	-	1,658,099	1,658,099	-
Water	740,655	929,956	264,866	-	-	454,167	454,167	-
WWTP	774,845	1,022,161	3,321,104	-	-	3,568,420	3,568,420	-
Airport	141,024	111,012	493,614	-	-	463,602	463,602	-
Solid Waste	1,298,669	1,241,633	-	-	-	(57,036)	(57,036)	-
Impact Fees	-	205,900	-	-	-	205,900	205,900	-
Cemetery	10,526	6,980	-	-	-	(3,546)	(3,546)	-
Golf Course	173,492	16,388	-	-	-	(157,104)	(157,104)	-
Total business-type activities	<u>7,985,087</u>	<u>9,772,755</u>	<u>4,079,584</u>	<u>-</u>	<u>-</u>	<u>5,867,252</u>	<u>5,867,252</u>	<u>-</u>
Total primary government	<u>\$ 14,347,886</u>	<u>10,117,867</u>	<u>5,146,596</u>	<u>23,380</u>	<u>(4,927,295)</u>	<u>5,867,252</u>	<u>939,957</u>	<u>-</u>
Component Unit								
Housing Authority	<u>\$ 2,114,219</u>	<u>574,436</u>	<u>1,602,169</u>	<u>101,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,172</u>
General revenues and transfers								
Taxes								
Property taxes					\$ 153,089	-	153,089	-
Gross receipts tax					3,910,122	674,428	4,584,550	-
Gasoline and motor vehicle taxes					55,600	-	55,600	-
Other taxes					308,634	-	308,634	-
Miscellaneous revenue					28,861	74,003	102,864	27,787
Transfers					1,692,031	(1,692,031)	-	-
Unrestricted investment earnings					10,768	23,200	33,968	(88,320)
Gain (loss) on disposition of assets					-	-	-	-
Total general revenues and transfers					<u>6,159,105</u>	<u>(920,400)</u>	<u>5,238,705</u>	<u>(60,533)</u>
Change in net position					<u>1,231,810</u>	<u>4,946,852</u>	<u>6,178,662</u>	<u>103,639</u>
Net position, beginning					<u>7,986,750</u>	<u>14,695,775</u>	<u>22,682,525</u>	<u>2,804,876</u>
Net position, ending					<u>\$ 9,218,560</u>	<u>19,642,627</u>	<u>28,861,187</u>	<u>2,908,515</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund 100	Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, investments and cash equivalents	\$ 927,043	284,228	1,456,896	2,668,167
Restricted cash and cash equivalents	-	516,983	-	516,983
Investments	101,174	588,975	-	690,149
Receivables:				
Property taxes	29,423	-	-	29,423
Other taxes	598,715	-	18,153	616,868
Inventory	116,516	-	144,660	261,176
Total assets	\$ 1,772,871	1,390,186	1,619,709	4,782,766
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 134,521	-	19,467	153,988
Accrued payroll expenses	43,098	-	-	43,098
Due to Other Funds	-	-	-	-
Total liabilities	177,619	-	19,467	197,086
DEFERRED INFLOWS				
Property taxes	19,312	-	-	19,312
Total deferred inflows	19,312	-	-	19,312
FUND BALANCES				
Nonspendable:				
Inventory	116,516	-	144,660	261,176
Restricted to:				
Public safety	-	-	279,313	279,313
Culture and recreation	-	-	195,742	195,742
Transportation and roads	-	-	332,446	332,446
Fire protection	-	-	314,717	314,717
Veteran's Wall	-	-	87,770	87,770
Debt service expenditures	2,028	1,390,186	-	1,392,214
Capital projects	206,954	-	242,052	449,006
Committed to:				
Subsequent year's expenditures	450,361	-	-	450,361
Unassigned	800,081	-	3,542	803,623
Total fund balances	1,575,940	1,390,186	1,600,242	4,566,368
Total liabilities, deferred inflows and fund balances	\$ 1,772,871	1,390,186	1,619,709	4,782,766

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2017

Total Fund Balance Governmental Funds	Governmental
Governmental Funds Balance Sheet	Activities
	<hr/>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 4,566,368
Residual balance of Internal Service Funds are included within the governmental activities but not reported within the governmental funds.	71,284
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,762,757
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.	19,312
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	1,793,695
Some revenues will not be available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the governmental funds.	(333,609)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest	(11,705)
Compensated absences	(246,701)
Bonds and notes payable	(3,576,164)
Net Pension liability	(4,826,677)
	<hr/>
Total long-term and other liabilities	(8,661,247)
	<hr/>
Net position of governmental activities (Statement of Net Position)	\$ 9,218,560
	<hr/> <hr/>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2017**

	General Fund 100	Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 172,561	\$ -	\$ -	\$ 172,561
Gross receipts	3,214,231	498,235	197,656	3,910,122
Gasoline and motor vehicle	-	-	55,600	55,600
Other	49,488	-	259,146	308,634
Intergovernmental				
Federal capital grants	-	-	342,000	342,000
State capital grants	-	23,380	-	23,380
State operating grants	288,105	-	436,907	725,012
Charges for services	48,524	-	235,592	284,116
Licenses and fees	60,996	-	-	60,996
Investment income	1,710	8,351	707	10,768
Miscellaneous	14,722	-	14,139	28,861
Total revenues	3,850,337	529,966	1,541,747	5,922,050
Expenditures				
Current				
General government	1,787,097	451	137,944	1,925,492
Public safety	1,536,763	-	172,726	1,709,489
Public works	668,037	-	146,442	814,479
Culture and recreation	360,608	-	137,662	498,270
Health and welfare	205,359	-	-	205,359
Capital outlay	206,954	-	895,448	1,102,402
Debt service				
Principal	-	203,310	-	203,310
Interest	2,028	160,667	-	162,695
Total expenditures	4,766,846	364,428	1,490,222	6,621,496
Excess (deficiency) of revenues over (under) expenditures before other financings sources (uses)	(916,509)	165,538	51,525	(699,446)
Other Financing Sources (Uses)				
Loan proceeds	-	-	-	-
Transfers, in	1,750,903	137,401	654,231	2,542,535
Transfers, out	(715,374)	(80,000)	(55,130)	(850,504)
<i>Total other financing sources (uses)</i>	<i>1,035,529</i>	<i>57,401</i>	<i>599,101</i>	<i>1,692,031</i>
Net change in fund balances	119,020	222,939	650,626	992,585
Fund balances, beginning of year	1,456,920	1,167,247	949,616	3,573,783
Fund balances, end of year	\$ 1,575,940	\$ 1,390,186	\$ 1,600,242	\$ 4,566,368

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017**

**Net Change in Fund Balances - Total Governmental Funds
(Statement of Revenue, Expenditures, and Changes
in Fund Balances)**

\$ 992,585

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

Change in net position of internal service funds (6,802)

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 as depreciation expense.

Capital expenditure recorded in capital outlay in the fund financial statements	622,249	
Depreciation expense	<u>(334,538)</u>	287,711

Revenues in the governmental funds that provide current financial resources are not included in the Statement of Activities because they were recognized in a prior period.

Change in unavailable revenue related to property taxes receivable (19,472)

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

Pension expense (209,844)

The issuance of long-term debt (e.g. bonds, loans, 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.

The following table represents the changes in long-term debt for the fiscal year:

Change in bonds, notes, and loans payable	240,377
Change in compensated absences	(53,969)
Change in accrued interest on long-term debt	<u>1,224</u>

Change in net position in governmental activities \$ 1,231,810

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 166,400	166,400	170,102	3,702
Gross Receipts	2,746,608	3,159,833	3,303,720	143,887
Gasoline and motor vehicle	23,100	23,100	-	(23,100)
Other	52,000	52,000	49,488	(2,512)
Intergovernmental income:				
State operating grant	292,925	292,925	288,105	(4,820)
Charges for services	45,900	45,900	48,524	2,624
Licenses and fees	38,400	38,400	54,446	16,046
Fines and forfeits	25,670	25,670	6,550	(19,120)
Investment earnings	500	500	1,710	1,210
Miscellaneous	61,530	71,530	14,722	(56,808)
Total revenues	3,453,033	3,876,258	3,937,367	61,109
Expenditures				
Current				
General government	1,456,922	1,533,422	1,674,943	(141,521)
Public safety	1,534,727	1,534,727	1,598,237	(63,510)
Public works	394,289	394,289	666,703	(272,414)
Culture and recreation	397,733	397,733	365,313	32,420
Health and welfare	278,000	278,000	204,654	73,346
Miscellaneous	833,118	833,118	-	833,118
Capital outlay	-	-	205,327	(205,327)
Debt Service				
Principal	-	-	-	-
Interest	-	-	2,028	(2,028)
Total expenditures	4,894,789	4,971,289	4,717,205	254,084
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(1,441,756)</u>	<u>(1,095,031)</u>	<u>(779,838)</u>	<u>315,193</u>
Other Financing Sources (Uses)				
Transfers, in	1,750,000	1,750,906	1,750,903	(3)
Transfers, out	(485,000)	(683,000)	(715,374)	(32,374)
Total other financing sources (uses)	1,265,000	1,067,906	1,035,529	(32,377)
Net change in fund balances	<u>(176,756)</u>	<u>(27,125)</u>	255,691	<u>282,816</u>
Net change in fund balance (non-GAAP budgetary basis)			255,691	
Adjustments to revenues			(66,049)	
Adjustments to expenditures			(70,622)	
Net change in fund balance (GAAP)			<u>\$ 119,020</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, 2017

ASSETS	Joint Utility Fund 500	Joint Utility Office 502	Electric 503
Current Assets			
Cash and cash equivalents	\$ -	681,919	1,069,653
Investments	-	1,026,239	1,392,907
Receivables			
Charges for services	-	5,217	308,945
Due from other government	-	-	-
Miscellaneous receivables	-	-	-
Due from other funds	-	-	-
Inventory	-	-	398,259
Total current assets	<u>-</u>	<u>1,713,375</u>	<u>3,169,764</u>
Noncurrent Assets			
Restricted cash and cash equivalents	-	-	309,268
Restricted investment	-	-	-
Capital assets	-	-	4,797,859
Less accumulated depreciation	-	-	(2,707,092)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>2,400,035</u>
Total assets	<u>-</u>	<u>1,713,375</u>	<u>5,569,799</u>
DEFERRED OUTFLOWS - PENSION RELATED	<u>-</u>	<u>50,729</u>	<u>152,720</u>
LIABILITIES			
Current Liabilities			
Accounts payable	-	1,805	235,441
Accrued payroll expenses	-	-	-
Accrued compensated absences	-	3,934	10,338
Customer deposits	-	1,450	198,511
Accrued interest	-	-	-
Due to other funds	-	-	-
Current portion of long-term debt	-	-	89,881
Total current liabilities	<u>-</u>	<u>7,189</u>	<u>534,171</u>
Non-Current Liabilities			
Accrued compensated absences	-	7,869	20,680
Accrued landfill closure costs	-	-	-
Bonds, notes and loans	-	-	619,608
Net pension liability	-	169,328	509,767
Total non-current liabilities	<u>-</u>	<u>177,197</u>	<u>1,150,055</u>
Total liabilities	<u>-</u>	<u>184,386</u>	<u>1,684,226</u>
DEFERRED INFLOWS - PENSION RELATED	<u>-</u>	<u>11,704</u>	<u>35,234</u>
NET POSITION			
Net investment in capital assets	-	-	1,381,278
Restricted for debt service	-	-	89,881
Unrestricted (Deficit)	-	1,568,014	2,531,900
Total net position	<u>-</u>	<u>1,568,014</u>	<u>4,003,059</u>
Total net position	<u>\$ -</u>	<u>1,568,014</u>	<u>4,003,059</u>

See Notes to Financial Statements.

Business Type Activities				
Water 504	WWTP 506	Airport Fund 509	Solid Waste Fund 505/507	Impact Fees 301
493,779	694,055	36,150	885,394	205,361
271,618	102,627	-	484,895	100,000
59,204	113,999	77,924	37,984	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
172,447	91,718	67,548	26,203	-
<u>997,048</u>	<u>1,002,399</u>	<u>181,622</u>	<u>1,434,476</u>	<u>305,361</u>
376,141	106,122	-	94,595	205,889
-	-	-	-	-
5,053,616	11,218,233	4,619,418	3,868,287	-
(1,821,315)	(4,725,838)	(1,174,073)	(2,124,494)	-
<u>3,608,442</u>	<u>6,598,517</u>	<u>3,445,345</u>	<u>1,838,388</u>	<u>205,889</u>
4,605,490	7,600,916	3,626,967	3,272,864	511,250
50,729	101,991	25,097	152,720	-
105,351	81,483	14,614	35,124	-
-	-	-	-	-
4,096	9,930	232	7,937	-
12,455	1,114	-	60	-
13,399	-	-	-	-
-	-	-	-	-
261,670	387,000	-	80,000	-
<u>396,971</u>	<u>479,527</u>	<u>14,846</u>	<u>123,121</u>	<u>-</u>
8,193	19,862	1,159	15,876	-
-	-	-	921,034	-
1,999,089	881,000	-	790,000	-
169,328	340,439	83,773	509,767	-
<u>2,176,610</u>	<u>1,241,301</u>	<u>84,932</u>	<u>2,236,677</u>	<u>-</u>
2,573,581	1,720,828	99,778	2,359,798	-
11,704	23,530	5,790	35,234	-
971,542	5,224,395	3,445,345	873,793	-
261,670	387,000	-	80,000	-
837,722	347,154	101,151	76,759	511,250
<u>2,070,934</u>	<u>5,958,549</u>	<u>3,546,496</u>	<u>1,030,552</u>	<u>511,250</u>
<u>2,070,934</u>	<u>5,958,549</u>	<u>3,546,496</u>	<u>1,030,552</u>	<u>511,250</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2017

ASSETS	Business Type Activities		Governmental Activities
	Other Enterprise Fund	Total	Internal Service Fund 600
Current Assets			
Cash and cash equivalents	\$ 40,971	4,107,282	\$ 71,284
Investments	-	3,378,286	-
Receivables			
Charges for services	-	603,273	-
Due from other government	-	-	-
Miscellaneous receivables	-	-	-
Due from other funds	-	-	-
Inventory	-	756,175	-
Total current assets	<u>40,971</u>	<u>8,845,016</u>	<u>71,284</u>
Noncurrent Assets			
Restricted cash and cash equivalents	-	1,092,015	-
Restricted investment	-	-	-
Capital assets	1,414,790	30,972,203	-
Less accumulated depreciation	(500,079)	(13,052,891)	-
Total noncurrent assets	<u>914,711</u>	<u>19,011,327</u>	<u>-</u>
Total assets	<u>955,682</u>	<u>27,856,343</u>	<u>71,284</u>
DEFERRED OUTFLOWS - PENSION RELATED	<u>-</u>	<u>533,986</u>	<u>-</u>
LIABILITIES			
Current Liabilities			
Accounts payable	1,909	475,727	-
Accrued payroll expenses	-	-	-
Accrued compensated absences	-	36,467	-
Customer deposits	-	213,590	-
Accrued interest	-	13,399	-
Due to other funds	-	-	-
Current portion of long-term debt	-	818,551	-
Total current liabilities	<u>1,909</u>	<u>1,557,734</u>	<u>-</u>
Non-Current Liabilities			
Accrued compensated absences	-	73,639	-
Accrued landfill closure costs	-	921,034	-
Bonds, notes and loans	-	4,289,697	-
Net pension liability	-	1,782,402	-
Total non-current liabilities	<u>-</u>	<u>7,066,772</u>	<u>-</u>
Total liabilities	<u>1,909</u>	<u>8,624,506</u>	<u>-</u>
DEFERRED INFLOWS - PENSION RELATED	<u>-</u>	<u>123,196</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	914,711	12,811,064	-
Restricted for debt service	-	818,551	-
Unrestricted (Deficit)	39,062	6,013,012	71,284
Total net position	<u>953,773</u>	<u>19,642,627</u>	<u>71,284</u>
Total net position	<u>\$ 953,773</u>	<u>\$ 19,642,627</u>	<u>\$ 71,284</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2017

	Joint Utility Fund 500	Joint Utility Office 502	Electric 503
Operating Revenues			
Charges for Services	\$ -	(8,145)	6,246,870
Total operating revenues	<u>-</u>	<u>(8,145)</u>	<u>6,246,870</u>
Operating Expenses			
General operating	-	88,019	3,710,621
Personnel services	-	186,474	504,892
Depreciation	-	-	250,237
Utilities	-	2,612	72,697
Total operating expenses	<u>-</u>	<u>277,105</u>	<u>4,538,447</u>
Operation income (loss)	<u>-</u>	<u>(285,250)</u>	<u>1,708,423</u>
Non-Operating Revenues (Expenses)			
Interest expense	-	-	(30,324)
Investment earnings	-	8,062	8,137
Gross receipts tax	-	-	433,133
Miscellaneous income	-	-	24,719
Grant income	-	-	-
Total non-operating revenue (expenses)	<u>-</u>	<u>8,062</u>	<u>435,665</u>
Income (loss) before contributions and transfers	<u>-</u>	<u>(277,188)</u>	<u>2,144,088</u>
Government contributions	-	-	-
Capital contributions from governmental activities	-	-	-
Transfers related to current year capital assets	-	-	-
Transfers, in	-	1,991,280	4,581,256
Transfers, out	(10,190,233)	(146,078)	(2,722,285)
Change in net position	<u>(10,190,233)</u>	<u>1,568,014</u>	<u>4,003,059</u>
Net position, beginning of year	<u>10,190,233</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ -</u>	<u>1,568,014</u>	<u>4,003,059</u>

See Notes to Financial Statements.

Business Type Activities Water 504	WWTP 506	Airport Fund 509	Solid Waste Fund 505/507	Impact Fees 301
929,956	1,022,161	111,012	1,241,633	205,900
929,956	1,022,161	111,012	1,241,633	205,900
290,564	248,347	(53,005)	747,041	-
223,491	364,304	84,619	447,162	-
77,597	75,775	96,699	97,517	-
81,700	86,419	12,711	6,949	-
673,352	774,845	141,024	1,298,669	-
256,604	247,316	(30,012)	(57,036)	205,900
(67,303)	-	-	-	-
3,104	618	12	2,874	353
41,029	44,394	-	155,872	-
-	-	-	35,021	-
264,866	3,321,104	493,614	-	-
241,696	3,366,116	493,626	193,767	353
498,300	3,613,432	463,614	136,731	206,253
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
11,790,507	2,605,618	565,835	1,299,868	405,009
(10,217,873)	(260,501)	-	(1,518,481)	(100,012)
2,070,934	5,958,549	1,029,449	(81,882)	511,250
-	-	2,517,047	1,112,434	-
2,070,934	5,958,549	3,546,496	1,030,552	511,250

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business Type Activities		Governmental Activities
	Other Enterprise Fund	Total	Internal Service Fund 600
Operating Revenues			
Charges for Services	\$ 23,368	\$ 9,772,755	\$ 18,544
Total operating revenues	<u>23,368</u>	<u>9,772,755</u>	<u>18,544</u>
Operating Expenses			
General operating	150,991	5,182,578	25,346
Personnel services	-	1,810,942	-
Depreciation	22,912	620,737	-
Utilities	10,115	273,203	-
Total operating expenses	<u>184,018</u>	<u>7,887,460</u>	<u>25,346</u>
Operation income (loss)	<u>(160,650)</u>	<u>1,885,295</u>	<u>(6,802)</u>
Non-Operating Revenues (Expenses)			
Interest expense	-	(97,627)	-
Investment earnings	40	23,200	-
Gross receipts tax	-	674,428	-
Miscellaneous income	14,263	74,003	-
Grant income	-	4,079,584	-
Total non-operating revenue (expenses)	<u>14,303</u>	<u>4,753,588</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>(146,347)</u>	<u>6,638,883</u>	<u>(6,802)</u>
Government contributions	-	-	-
Capital contributions from governmental activities	-	-	-
Transfers related to current year capital assets	-	-	-
Transfers, in	224,059	23,463,432	-
Transfers, out	-	(25,155,463)	-
Change in net position	<u>77,712</u>	<u>4,946,852</u>	<u>(6,802)</u>
Net position, beginning of year	<u>876,061</u>	<u>14,695,775</u>	<u>78,086</u>
Net position, end of year	<u>\$ 953,773</u>	<u>\$ 19,642,627</u>	<u>\$ 71,284</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business Type Activities			
	Joint Utility Fund	Joint Utility Office	Electric	Water
Cash Flows From Operating Activities				
Cash received from customers and others	\$ -	-	5,628,657	494,611
Cash paid for vendors and employees	-	(145,106)	(3,829,218)	(494,405)
Net cash provided (used) by operating activities	-	(145,106)	1,799,439	206
Cash flows from noncapital financing activities				
Government contributions	-	-	-	264,866
Gross receipts taxes	-	-	433,133	41,029
Miscellaneous income	-	-	24,719	-
Landfill closure costs	-	-	-	-
Transfers	(3,665,176)	1,845,202	1,928,037	4,091,454
Net cash provided (used) by noncapital financing activities	(3,665,176)	1,845,202	2,385,889	4,397,349
Cash Flows from Investing Activities				
Purchases of investments	-	(1,026,239)	(1,392,907)	(271,618)
Interest on investments	-	8,062	8,137	3,104
Net cash (used) provided by investing activities	-	(1,018,177)	(1,384,770)	(268,514)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	-	(1,613,942)	(3,309,898)
Proceeds from sale of capital assets	-	-	-	-
Interest paid	-	-	(30,324)	(67,303)
Proceeds from issuance of long-term debt	-	-	-	-
Principal payments on bonds, loans and notes payable	-	-	(86,639)	(258,061)
Net cash provided (used) by capital and related financing activities	-	-	(1,730,905)	(3,635,262)
Net increase (decrease) in cash and cash equivalents	(3,665,176)	681,919	1,069,653	493,779
Cash and cash equivalents, beginning of year	3,665,176	-	-	-
Cash and cash equivalents, end of year	\$ -	681,919	1,069,653	493,779
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ -	(285,250)	1,708,423	256,604
Noncash items				
Depreciation expense	-	-	250,237	77,597
PERA pension plan expense	-	130,303	392,281	130,303
Adjustments to operating income (loss) to net cash provided by operating activities:				
Loss on disposal of capital assets	-	-	-	-
Change in assets and liabilities:				
Restricted Cash	-	-	(309,268)	(376,141)
Accounts receivable	-	-	(308,945)	(59,204)
Inventory	-	(5,217)	(398,259)	(172,447)
Accounts payable	-	1,805	235,441	105,351
Accrued payroll expenses	-	-	-	13,399
Accrued compensated absences	-	11,803	31,018	12,289
Meter deposits	-	1,450	198,511	12,455
Net cash provided (used) by operating activities	\$ -	(145,106)	1,799,439	206

See Notes to Financial Statements.

WWTP	Airport Fund	Solid Waste Fund	Impact Fees
802,040	87,187	1,151,395	11
(416,421)	(49,493)	(703,656)	-
<u>385,619</u>	<u>37,694</u>	<u>447,739</u>	<u>11</u>
3,321,104	493,614	-	-
44,394	-	155,872	-
-	-	35,021	-
-	-	-	-
<u>1,095,848</u>	<u>565,835</u>	<u>731,387</u>	<u>304,997</u>
<u>4,461,346</u>	<u>1,059,449</u>	<u>922,280</u>	<u>304,997</u>
(102,627)	-	(484,895)	(100,000)
618	12	2,874	353
<u>(102,009)</u>	<u>12</u>	<u>(482,021)</u>	<u>(99,647)</u>
(4,036,901)	(1,130,198)	(197,388)	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>(14,000)</u>	<u>-</u>	<u>(80,000)</u>	<u>-</u>
<u>(4,050,901)</u>	<u>(1,130,198)</u>	<u>(277,388)</u>	<u>-</u>
694,055	(33,043)	610,610	205,361
-	69,193	274,784	-
<u>694,055</u>	<u>36,150</u>	<u>885,394</u>	<u>205,361</u>
247,316	(30,012)	(57,036)	205,900
75,775	96,699	97,517	-
261,978	11,517	392,281	-
-	-	-	-
(106,122)	-	(94,595)	(205,889)
(113,999)	(23,825)	4,357	-
(91,718)	(20,617)	(26,203)	-
81,483	14,614	(13,485)	-
-	(3,973)	121,030	-
29,792	(6,709)	23,813	-
1,114	-	60	-
<u>385,619</u>	<u>37,694</u>	<u>447,739</u>	<u>11</u>

Business Type Activities		Governmental Activities
Other Enterprise Fund	Total	Internal Service Fund
23,368	8,187,269	18,544
(175,268)	(5,813,567)	(25,346)
(151,900)	2,373,702	(6,802)
-	4,079,584	-
-	674,428	-
14,303	74,043	-
-	-	-
224,059	7,121,643	-
238,362	11,949,698	-
-	(3,378,286)	-
-	23,160	-
-	(3,355,126)	-
(84,059)	(10,372,386)	-
-	-	-
-	(97,627)	-
-	-	-
-	(438,700)	-
(84,059)	(10,908,713)	-
2,403	59,561	(6,802)
38,568	4,047,721	78,086
40,971	4,107,282	71,284
(160,650)	1,885,295	(6,802)
22,912	620,737	-
-	1,318,663	-
-	-	-
-	(1,092,015)	-
-	(501,616)	-
-	(714,461)	-
(14,162)	411,047	-
-	130,456	-
-	102,006	-
-	213,590	-
(151,900)	2,373,702	(6,802)

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Truth or Consequences, (City), New Mexico, which was incorporated in 1917, operates under a Commission / Manager form of government. Five commissioners are elected at large and one of the commissioners serves as Mayor. This reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's financial statements to be misleading or incomplete.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). Blended component unit, 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 is legally separate from the government.

The basic (but not the only) criteria 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, or whether the activity is conducted within the geographic boundaries of the government and is generally available to 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. Based upon the application of these criteria, the City has one component unit required to be reported under GASB Statements No. 14, No. 39, and No 61.

The Truth or Consequences Housing Authority (The Authority) has been determined to be a component unit of the City that should be discretely presented in the City's financial statements pursuant to the criteria described above. The authority was audited by another auditor and has separately issued financial statements and all exhibits, schedules and footnotes are included in those financial statements. Excerpts of the component unit's activities that we deemed material are included 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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 activities of the primary government and its component units. 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 activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated to functions in the statement of activities. 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements and the fiduciary fund – agency 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 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.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Derived tax revenues (gross receipts taxes, cigarette taxes and gas taxes) are recognized when the underlying transaction takes place. 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 City.

The City reports the following major governmental funds:

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

The **Debt Service Fund** was created to account for the accumulation of resources for, and the repayment of general long-term principal, interest, and related costs of the general obligation bonds. Revenues for this fund are taxes generated by sources designated in bond obligations. The fund is required by bond-obligation requirements.

The government reports the following major proprietary funds:

The **Joint Utility** fund accounts for the provision of water, electric, sewer and wastewater services to the residents of the city. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The **Joint Utility Office** fund accounts for the provision of water, electric, sewer and wastewater services to the residents of the city. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The **Electric** fund accounts for the provision of electric services to the residents of the city. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The **Water** fund accounts for the provision of water 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 FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Waste Water Treatment Plant fund accounts for the provision of sewer and waste water services to the residents of the city. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The **Airport Fund** 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 activities of the City's solid waste services.

The **Impact Fee** fund is authorized by City Ordinance No. 563, 11-14-06, and states the City may enact or impose development impact fees on land within its municipal boundaries. An impact fee may be imposed only to pay the following specified costs of constructing capital improvements or facility expansions: 1) estimated capital improvements plan costs; 2) planning, surveying and engineering fees paid to an independent qualified professional who is not a City employee for services provided for and directly related to the construction of capital improvements or facility expansions; 3) fees actually paid or contracted to be paid to an independent qualified professional, who is not a City employee, for the preparation or updating of capital improvements plan; and 4) up to three percent of total impact fees collected for administrative costs for City employees who are qualified professionals.

Additionally, 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 City's utility and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The utilities also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and 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 City policy to use restricted resources first, then unrestricted resources as they are needed.

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 obligations of the U.S. Treasury, repurchase agreements, Certificates of Deposits, and the State Treasurer's Investment Pool. Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations and is not SEC registered. The reported value of the pool is the same as the fair value of the pool shares. Generally, investment income earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on the average daily balance of cash and investments of each fund. All investment in such pool is voluntary.

Receivables and Payables. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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 at year end.

The joint utility enterprise fund is responsible for billing and collecting electric, water, and wastewater charges using a cycle billing system. No billing cycles are billed in advance of services. Metered accounts are billed in arrears and have been accrued. The only unearned revenue is customer payments for prepaid electric distribution construction. Customers are required to pay 100% of the estimate prepared by the electric director. When the job is complete the actual costs of the job are prepared and the customer is either refunded the overpayment or billed for the

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

shortage. These payments for construction are then reported as increases in net assets at the end of the fiscal year. All trade receivables are shown net of an allowance for uncollectible accounts. The City is required to provide service and grant credit to a diverse customer base within its service territory. The City may require security deposits prior to providing service to customers depending upon an assessment of credit worthiness.

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 on 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 other restrictions.

Inventories and Prepaid Items. Inventories are by the City and the Joint Utility, Airport, and Solid Waste Funds and are valued at cost using the first-in/first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods wide and are recorded as prepaid items in both government-wide and fund financial statements.

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 City as assets with an initial, individual cost of more than \$5,000 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. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized. 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. Computer software costs, whether externally purchased or developed in-house, shall be capitalized if the total cost of the software equals or

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

exceeds \$5,000 and has a life of at least two years. 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.

Property, plant, and equipment of the primary government have the following threshold levels to be capitalized and are depreciated using the straight line method over the following estimated useful lives:

		<u>Estimated Useful Life</u>
Buildings and improvements	\$	10-50 years
Equipment	\$	5-25 years
Infrastructure including golf course and airport	\$	10-50 years
Vehicles	\$	5-10 years
Utility plant	\$	20-40 years

Compensated Absences. 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.

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

(revenue) until that time. Deferred inflows are reported in the governmental funds regarding property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs related to insurance, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs other than related insurance are expended in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs related to insurance, during the current period. The face amount of debt issued is reported as other financing sources. Bond premium and discounts are reported as other financing uses. Issuance costs, even if withheld from actual net proceeds received, are reported as debt service expenditures.

Pension. 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 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's. 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.

Fund Equity Flow Assumptions. In the fund financial statements, governmental funds report restricted and unassigned fund balances. Restricted fund balances represent amounts that are constrained externally by creditors (such as debt covenants), grantors, contributors, or laws of other governments. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balances. In the fund financial statements, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Commission. City Commission is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned – amounts that are constrained by the City’s intent to use them for a specific purpose, but are neither restricted nor committed. The City has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as unspendable, restricted, or committed in governmental funds outside of the general fund.

Unassigned – all other spendable amounts.

Use of 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted for all funds. All budgets are consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year-end. Carryover funds must be appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended by City Commission resolution with approval by the State Department of Finance and Administration. City department heads may make transfers of appropriations within a fund. The legal level of budgetary control is the fund level. Increases or decreases of appropriations between funds require the approval of the governing Commission.

The city follows the follows the following procedures in establishing the budgetary data reflected in the financial statements:

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June, the City Manager submits to the City Commission a proposed operating budget for preliminary approval for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. A budget is prepared for each fund.
2. Prior to September 1, the budget is legally enacted through passage of a resolution and the Local Government Division of the State Department of Finance and Administration approves the final budget.
3. After the budget is adopted any supplemental appropriations must be approved by the City Commission

The budgetary basis and GAAP basis are the same for all governmental fund types. Budgets for proprietary enterprise funds are adopted on a non-GAAP basis, using the spending measurement focus as in governmental fund types.

B. Excess of Expenditures over Appropriations

As of June 30, 2017, the City did not over expend the budget in any fund.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2017, the City had the following deposits and investments:

Demand deposits	\$ 7,611,491
Certificates of deposit	2,758,103
State Treasurer's LGIP	1,309,888
Cash with fiscal Agent	843,623
Cash on hand	<u>1,061</u>
 Total	 \$ <u>12,524,166</u>
 Governmental funds	 \$ 3,946,583
Proprietary funds	<u>8,577,583</u>
 Total	 \$ <u>12,524,166</u>

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

The City has investments in the State Treasurer external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of June 30, 2017. The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, 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 amounts were invested. Participation in the local government investment pool is voluntary. The LGIP has been rated by Standard & Poor's and has received an AAAM rating.

Investment Type	Weighted Average Maturities	Fair Value	Rating*
U.S. Treasury Money Market Mutual Funds	>365	\$ 843,623	Aaa
New Mexico LGIP	106 days WAM(F)	<u>1,309,888</u>	AAAM
		\$ <u><u>2,153,511</u></u>	

*Based off Moody's rating

At June 30, 2017 there was \$180,079 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 \$2,758,103 of certificates of deposit that are greater than 90 days and therefore are considered investments in the Statement of Net Position.

Interest Rate Risk. The risk that interest rate variations may adversely affect the fair value of an investment. An acceptable method for reporting interest rate risk is weighted average maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the Local Government Investment Pool. As of June 30, 2017 the LGIP WAM (R) was 58 days and WAM (F) was 106 days. 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.

Credit Risk. As directed by State Statute 6-10-36, E. and F., excess funds may be invested in securities backed by the full faith and credit of the United States Government, such as treasury notes, bills and bonds; in securities of Agencies that are guaranteed by the United States Government; bonds or negotiable securities of the State of New Mexico or of any county, municipality or school district in the State of New Mexico which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding. The LGIP is exempt from this reporting requirement.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Deposits) - City. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statute requires that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. The City's carrying amount of deposits as of June 30, 2017 was \$3,601,726 and the bank balance was \$7,950,843. Of the bank balance, \$250,000 was covered by federal depository insurance, \$7,700,843 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and no deposits were subject to custodial credit risk.

Custodial Credit Risk (Deposits) - Component. Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority deposits may not be returned to it. The Housing Authority 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). State Statute requires that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. At June 30, 2017, \$511,660 of the Housing Authority's bank balance of \$1,321,065 was exposed to custodial credit risk. Although the \$511,660 was uninsured, all of that amount was collateralized by collateral held by the pledging bank's trust department, not in the Housing Authority's name. None of the Housing Authority's deposits were uninsured and uncollateralized at June 30, 2017.

Custodial Credit Risk (Investments). In the case of investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The LGIP is exempt from this reporting requirement.

Collateral. Only securities backed by the full faith and credit of the United States Government will be accepted as collateral. The City may make an exception and accept as collateral securities from a governmental entity within the State of New Mexico as described by State Statute 6-10-16-A. All securities pledged as collateral shall be held by a third-party financial institution. Any change in the institution holding the collateral must have prior approval of management.

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 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 6-10-63, NMSA 1978).

GASB Statement No. 72 requires investment to be presented at fair value. This statement provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
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June 30, 2017**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Basis of Fair Value Measurement –

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the City's assets had a fair value as of June 30, 2017:

Investment in	Investment Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
US Treasury Money Market Fund	\$ 843,623	-	-	843,623
New Mexico LGIP	1,309,888	-	-	1,309,888
Total	\$ 2,153,511	-	-	2,153,511

NOTE 4. RECEIVABLES

Governmental receivables as of June 30, 2017 are as follows:

	General	Debt Service	Other Governmental Funds	Total
Property taxes	\$ 29,423	-	-	29,423
Other taxes:				
Gross receipts taxes	598,715	-	-	598,715
Franchise and lodgers taxes	-	-	14,077	14,077
Gasoline taxes	-	-	4,076	4,076
Totals	\$ 628,138	-	18,153	646,291

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

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate 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 \$19,312 for the City for the year ended June 30, 2017.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 4. RECEIVABLES (CONTINUED)

Proprietary fund receivables as of June 30, 2017 are as follows:

	Major Enterprise Funds	Other Enterprise Funds	Total
Charges for services	\$ 1,105,769	-	1,105,769
Less: Allowance for uncollectible accounts	(502,496)	-	(502,496)
Miscellaneous	-	-	-
Totals	<u>\$ 603,273</u>	<u>-</u>	<u>603,273</u>

Component Unit

As of June 30, 2017, the Housing Authority had the following receivables:

Tenant Receivables	\$ 7,816
Allowance for doubtful Accounts – tenants	(781)
Notes Receivable	<u>322,878</u>
Total	<u>\$ 329,913</u>

The Authority's notes receivable consist of two promissory notes from related entities which are owed to the Return to Owner Program. These notes were executed for the purpose of funding future tax credit properties for which the Authority plans to be a participating member. These notes are considered fully receivable.

**STATE OF NEW MEXICO
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June 30, 2017**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities	Balance June 30, 2016	Additions	Reclassifications	Deletions	Balance June 30, 2017
Non-Depreciable Assets					
Land	\$ 4,721,569	-	-	-	4,721,569
Construction in progress	797,380	101,055	-	-	898,435
Total non-depreciable assets	5,518,949	101,055	-	-	5,620,004
Depreciable Assets					
Buildings and improvements	8,435,964	98,708	218,467	-	8,753,139
Equipment	2,118,729	307,027	(59,048)	(33,308)	2,333,400
Infrastructure	2,023,747	15,689	5,682	-	2,045,118
Vehicles	2,688,246	191,386	(165,101)	(58,309)	2,656,222
Total depreciable assets	15,266,686	612,811	-	(91,617)	15,787,879
Accumulated Depreciation					
Building and improvements	4,682,226	247,184	-	-	4,929,410
Equipment	1,836,913	73,117	-	(5,814)	1,904,216
Infrastructure	493,077	72,711	-	-	565,788
Vehicles	2,298,372	5,649	-	(58,309)	2,245,712
Total Accumulated Depreciation	9,310,588	398,661	-	(64,123)	9,645,126
Governmental Capital Assets, net	\$ 11,475,047	315,205	-	(155,830)	11,762,757

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:	
General Government	\$ 148,963
Public safety	132,252
Public works	63,011
Public health and welfare	38,548
Culture and recreation	15,887
	<u>\$ 398,661</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance June 30, 2016	Additions	Reclassification	Deletions	Balance June 30, 2017
Non-depreciable assets:					
Land	\$ 1,755,406	-	-	-	1,755,406
Construction in progress	664,222	4,541,853	-	-	5,206,075
Total non-depreciable assets	2,419,628	4,541,853	-	-	6,961,481
Depreciable assets:					
Building improvements	3,267,445	41,832	-	(6,820)	3,302,457
Utility plant	13,344,452	637,357	-	-	13,981,809
Equipment	3,672,519	125,199	-	(43,173)	3,754,545
Vehicles	2,361,357	610,554	-	-	2,971,911
Total depreciable assets	22,645,773	987,631	-	(49,993)	24,010,722
Accumulated depreciation:					
Building and improvements	1,314,710	57,506	-	-	1,372,216
Utility plant	5,940,758	279,325	-	-	6,220,083
Equipment	3,468,685	50,889	(138,788)	-	3,380,786
Vehicles	1,708,001	233,017	138,788	-	2,079,806
Total accumulated depreciation	12,432,154	620,737	-	-	13,052,891
Business-type activities capital assets, net	\$ 12,633,247	4,908,747	427,311	(49,993)	17,919,312

Depreciation expense was charged to functions/programs of the government as follows:

Business-Type Activities:	
Electric	\$ 250,237
Water	77,597
WWTP	75,775
Airport	96,699
Solid Waste	97,517
Golf Course Fund	19,052
Cemetery Fund	3,860
	\$ <u>620,737</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 5. CAPITAL ASSETS (CONTINUED)

Component Unit	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Non-depreciable assets:				
Land	\$ 637,536	-	-	637,536
Construction in progress	-	87,624	-	87,624
Total non-depreciable assets	637,536	87,624	-	725,160
Depreciable assets:				
Land improvements	593,934	14,072	-	608,006
Buildings and improvements	6,739,010	24,896	-	6,763,906
Dwelling equipment	315,495	-	-	315,495
Non-dwelling equipment	437,904	31,121	-	469,025
Total depreciable assets	8,086,343	70,089	-	8,156,432
Accumulated depreciation:				
Land improvements	542,996	9,463	-	552,459
Buildings and improvements	4,269,260	98,273	-	4,367,533
Dwelling equipment	286,473	5,736	-	292,209
Non-dwelling equipment	417,598	17,085	-	434,683
Total accumulated depreciation	5,516,327	130,557	-	5,646,884
Component unit capital assets, net	\$ 3,207,552	27,156	-	3,234,708

Depreciation expense for the year ended June 30, 2017 totaled \$130,557 for the Authority.

The Construction in Progress category contains \$127,149 in capital assets in service which are recorded in depreciating categories on the financial statements.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers and advances consisted of the following as of June 30, 2017:

TRANSFERS

Governmental Funds	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 1,750,903	715,374
Fire Protection	-	130
Recreation Fund	10,000	-
Correction Fees	27,000	-
PD GRT	273,000	-
Lodger's Tax	-	55,000
Municipal Pool	149,288	-
USDA WWTP	162,443	-
Capital Expenditures	30,000	-
R&R Emergency	2,500	-
Debt Service	137,401	80,000
Business-Type Funds		
Joint Utility Fund	-	10,190,233
Joint Utility Office	1,991,280	146,078
Electric	4,581,256	2,722,285
Water	11,790,507	10,217,873
WWTP	2,605,618	260,501
Solid Waste Fund	1,299,868	1,518,481
Impact Fees	405,009	100,012
Golf Course	220,788	-
Cemetery	3,271	-
Municipal Airport	565,835	-
Net Transfers	\$ <u>26,005,967</u>	<u>26,005,967</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. LONG-TERM DEBT

General Obligation Bonds. The City has the capacity to issue general obligation bonds to provide funds for the acquisition and/or construction of major capital projects, but as of June 30, 2017 no general obligation bonds had been issued.

Revenue Bonds. The City has the capacity to issue bonds where the City pledges gross receipts tax revenue and revenues derived from the acquired or constructed assets to pay debt service, but as of June 30, 2017 the City had one revenue bond issued on February 2, 2012 for the construction of the solid waste collection center and other equipment required 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 the income derived from the operation of the joint utility system which includes revenues from the solid waste collection center.

Governmental Activities

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017	Due Within One Year
Police Department					
Building	\$ 140,597	-	13,278	127,319	13,433
Recreational Loan	1,898,802	-	114,211	1,784,591	117,996
Streets Loan	1,590,710	-	90,893	1,499,817	93,275
NMFA Fire Pumper	186,431	-	21,995	164,437	22,223
Total Notes Payable	3,816,540	-	240,377	3,576,164	246,927
Compensated Absences	192,730	118,692	64,721	246,701	82,225
Total Long-term debt	\$ 4,163,986	118,692	219,437	3,822,865	329,152

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. The 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 construction, repairing and improving various streets, alleys, sidewalks and curbs within the City, including rehabilitation, repaving and drainage improvements. The payments of principal and interest are paid from the first increment of one-quarter of one percent (0.25%) of municipal gross receipts tax, dedicated to the general fund.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

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.

The annual requirements to amortize the governmental activities debt as of June 30, 2017, including interest payments, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin Fees</u>	<u>Total Requirements</u>
2018	\$ 246,699	140,454	460	387,613
2019	253,917	133,291	404	387,612
2020	261,794	125,471	348	387,613
2021	270,620	116,704	291	387,615
2022	285,378	106,985	257	392,620
2023-2027	1,482,992	369,347	438	1,852,777
2028-2031	774,764	63,248	-	838,012
Total	\$ 3,576,164	1,055,500	2,198	4,633,862

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. LONG-TERM DEBT (CONTINUED)

The debt service and fire protection fund 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. One third of vacation hours accrued are payable to employees of at least 5 years, and a maximum of 240 vacation hours are payable to all employees.

Business-Type Activities

	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017	Due Within One Year
Revenue Bonds					
Series 2012 Solid					
Waste Revenue	\$ 950,000	-	80,000	870,000	80,000
Total Revenue Bonds	<u>950,000</u>	<u>-</u>	<u>80,000</u>	<u>870,000</u>	<u>80,000</u>
Loans Payable					
Water Tank Loan	557,608	-	105,955	451,654	108,657
Elec Upgrade Loan	796,128	-	86,639	709,489	89,881
NMFA	193,193	-	12,656	180,537	12,687
NMFA	132,593	-	8,287	124,306	8,287
NMFA	1,185,960	-	58,083	1,127,877	58,670
PER/Asset Mgmt Plan	56,193	-	3,240	52,953	3,248
Waste Water Project	69,230	-	3,847	65,383	3,846
Design/Construction					
Phase 2	75,000	-	5,403	69,597	3,867
NMED	65,350	-	32,192	33,158	33,158
NMED	183,692	-	28,398	155,294	29,250
USDA Debt	910,000	-	14,000	896,000	15,000
Cobank Debt	372,000	-	-	372,000	372,000
Total Loans Payable	<u>4,596,948</u>	<u>-</u>	<u>358,700</u>	<u>4,238,248</u>	<u>738,551</u>
Compensated					
Absences	93,740	36,797	20,431	110,106	36,467
Total Long-term debt	<u>\$ 5,640,688</u>	<u>36,797</u>	<u>418,269</u>	<u>5,218,354</u>	<u>855,018</u>

Revenue Bonds

On February 3, 2012, the City issued solid waste revenue bond in the amount of \$1,260,000 for the 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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

The annual requirements to amortize the revenue bonds as of June 30, 2017, including interest payments, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018 \$	80,000	34,365	114,365
2019	85,000	31,205	116,205
2020	90,000	27,848	117,848
2021	95,000	24,292	119,292
2022	95,000	20,540	115,540
2023-2027	425,000	42,660	467,660
Total \$	<u>870,000</u>	<u>180,910</u>	<u>1,050,910</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 a rate of 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 a rate of 3.787% per annum. The proceeds of the loan were used to upgrade 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 the 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.

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.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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 net revenues from the City's utility system.

One 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 requirement to amortize the loan payables as of June 30, 2017, including interest payments, are as follows:

Year Ending June 30,	Principal	Interest	Admin Fees	Total Requirements
2018 \$	738,552	96,694	2,903	838,149
2019	341,296	87,970	2,407	431,673
2020	349,722	79,736	1,895	431,353
2021	359,661	71,005	1,366	432,032
2022	248,873	61,707	821	311,401
2023-2027	809,736	219,371	844	1,029,951
2027-2032	640,821	137,943	-	778,764
2033-2037	216,587	70,498	-	287,085
2038-2042	119,000	54,718	-	173,718
2043-2047	133,000	40,746	-	173,746
2048-2052	148,000	25,109	-	173,109
2053-2056	133,000	7,626	-	140,626
Total \$	4,238,248	953,123	10,236	5,201,607

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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. One third of vacation hours accrued are payable to employees of at least 5 years, and a maximum of 240 vacation hours are payable to all employees.

Component Unit

The following summarizes changes in long-term liability activity during fiscal year 2017:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
USDA Loans Hacienda Orgullo #1	\$ 340,417	-	22,633	317,784	22,806
USDA Loans Hacienda Orgullo #2	106,061	-	7,059	99,002	7,132
USDA Loan Puesta Del Sol	439,165	-	7,710	431,455	8,677
Compensated Absences	35,523	64,137	64,446	35,832	-
Total long-term debt	<u>\$ 921,166</u>	<u>64,137</u>	<u>101,848</u>	<u>884,073</u>	<u>38,615</u>

The USDA Loan liabilities are collateralized by the property purchased/renovated with the funds.

Compensated absences increased by \$309 and the balances are paid from the programs under which they are incurred.

The Hacienda Orgullo notes are payable to the U.S. Department of Agriculture, through the Rural Housing Service. The stated interest rates are paid 1% by the Authority, and the remainder by Rural Housing Service, in the form of a debt service subsidy.

The Puesta del Sol note is payable to the U.S. Department of Agriculture, through the Rural Housing Service. The Authority receives a fixed debt service subsidy from the Rural Housing Service of \$3,681 per month.

The terms of each note payable are summarized below:

Description	Date of Issue	Maturity Date	Interest Rate	Subsidy Rate	Original Amount of Issue
USDA Loans Hacienda Orgullo #1	12/19/2981	8/19/2030	1.00%	10.750%	\$ 312,140
USDA Loans Hacienda Orgullo #2	12/19/2981	10/19/2030	1.00%	9.000%	1,000,000
USDA Loan Puesta Del Sol	12/1/1994	3/1/2034	1.00%	11.875%	495,788

**STATE OF NEW MEXICO
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June 30, 2017**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Debt service requirements on long-term debt at June 30, 2017, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2018	\$ 38,615	\$ 87,513	\$ 126,128
2019	40,004	83,719	123,723
2020	41,532	79,759	121,291
2021	43,218	75,619	118,837
2022	45,079	71,279	116,358
2023-2027	261,158	282,562	543,720
2028-2032	285,147	131,980	417,127
2033-2037	93,488	10,506	103,994
	<u>\$ 848,241</u>	<u>\$ 822,937</u>	<u>\$ 1,671,178</u>

NOTE 8. RESTRICTED FUND BALANCES

Fund balances were restricted for the following purposes:

Subsequent Years Expenditures. The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures be restricted as subsequent year expenditures to maintain an adequate cash flow until the next significant GRT collection .

NOTE 9. COMMITMENTS AND CONTINGENCIES

Risk Management. The City is also exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. In addition, the City is party to numerous pending or threatened lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. The City has historically retained these risks, except where it has determined that commercial insurance is more cost beneficial or legally required. The City has covered all claim settlements and judgments out of its General Fund resources, except where specifically identifiable to an enterprise fund. The City currently reports substantially all of its risk management activities, except worker's compensation, in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Current liabilities are reported when the liability has matured. These losses include an estimate of claims that have been incurred but not reported.

**STATE OF NEW MEXICO
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NOTE 9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingent Liabilities. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 10. JOINTLY GOVERNED ORGANIZATIONS

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 party's 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.

**STATE OF NEW MEXICO
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June 30, 2017**

NOTE 10. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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 bins 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.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
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June 30, 2017**

NOTE 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

Plan description: *Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided: Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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NOTE 11. –PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)

Contributions – See PERA’s compressive annual financial report for Contribution provided description

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was

STATE OF NEW MEXICO
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June 30, 2017

**NOTE 11. -PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The City is a member in the Municipal General and Municipal Police/Detention Officers groups. For each membership group the City participates in the City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The

PERA Fund Division Municipal Plan 2, at June 30, 2017, the City reported a liability of \$4,719,498 for its proportionate share of the net pension liability. At June 30, 2016, the City’s proportion was .2954% percent which was a decrease of 0.0034% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$539,735 At June 30, 2017, City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,805	46,059
Changes in assumptions	276,743	785
Net difference between projected and actual earnings on pension plan investments	868,379	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	36,345	240,996
City’s contributions subsequent to the measurement date	<u>243,595</u>	<u>-</u>
Total	<u>\$ 1,660,867</u>	<u>287,840</u>

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June 30, 2017**

**NOTE 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

\$243,595 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	194,587
2019		194,587
2020		519,475
2021		220,783
2022		-

PERA Fund Division Municipal Police Plan 5, at June 30, 2017, the City reported a liability of \$1,889,581 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was .2561% percent which was a decrease of 0.0343% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Division Municipal Police Plan 5 pension expense of \$218,176. At June 30, 2017, the City reported PERA Fund Division Municipal Police Plan 5 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	138,723	-
Changes in assumptions		125,155	34,078
Net difference between projected and actual earnings on pension plan investments		298,848	-
Changes in proportion and differences between City's contributions and proportionate share of contributions		-	134,887
City's contributions subsequent to the measurement date		<u>104,088</u>	<u>-</u>
Total	\$	<u><u>666,814</u></u>	<u><u>168,965</u></u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

\$104,088 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 80,851
2019	80,851
2020	159,136
2021	72,923
2022	-

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

PERA	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

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 June 30, 2017

**NOTE 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
 (CONTINUED)**

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and 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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

Discount rate. A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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 CITY OF TRUTH OR CONSEQUENCES
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 June 30, 2017

**NOTE 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
 (CONTINUED)**

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate: The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Division Municipal Plan 2

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
City’s proportionate share of the net pension liability	\$ 7,036,351	4,719,498	2,797,783

PERA Fund Division Municipal Police Plan 5

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
City’s proportionate share of the net pension liability	\$ 2,780,077	1,889,581	1,161,288

Payables to the pension plan: The City accrued \$7,198 in PERA benefits at June 30, 2017.

Component Unit

For **PERA Fund Division** – Municipal General, at June 30, 2017, the Authority reported a liability of \$1,287,719 for its proportionate share of the net pension liability. At June 30, 2016, the Authority’s proportion was .0806 percent which was an increase .0024% from its proportion measured as of June 30, 2015.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
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**NOTE 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

For the year ended June 30, 2017, the Authority recognized PERA Fund Division Municipal General Pension expense of \$151,115. At June 30, 2017, the Authority reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,494	12,719
Changes of assumptions	75,512	216
Net difference between projected and actual earnings on pension plan investments	236,936	-
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	18,962	114,488
The Authority's contributions subsequent to the measurement date	74,420	-
Total	\$ <u>470,324</u>	<u>127,423</u>

\$74,420 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2018	\$	34,169
2019		34,169
2020		139,639
2021		60,504
2022		-

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NOTES TO FINANCIAL STATEMENTS
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**NOTE 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

Component Unit

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

PERA	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

**STATE OF NEW MEXICO
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June 30, 2017**

**NOTE 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

Component Unit

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and 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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

Discount rate. A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate: The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Division Municipal General	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
The Authority's proportionate share of the net pension liability	\$ 1,919,872	1,287,719	763,377

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NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

Component Unit

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

Payables to the pension plan: As of June 30, 2017, amounts due to PERA from the Authority totaled \$6,332.

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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, 2016, the statutes 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 contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015, were \$64,517, \$65,479 and \$95,101, respectively, which equal the required contributions for each year.

Component Unit

The Authority's contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$18,528, \$16,917, and \$17,646, respectively, which equal the required contributions for each year.

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The primary objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 74 was effective for periods beginning after June 15, 2016. The adoption of GASB Statement No. 74 did not have a significant impact on the City's Financial Statements.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In August 2015, the GASB issued statement No. 77, Tax Abatement Disclosures. This Statement requires disclosure of tax abatement information about a reporting government's own tax abatements agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. GASB Statement No. 77 was effective for periods beginning after December 15, 2015. The adoption of GASB Statement No. 77 did not have a significant impact on the City's financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria that must be met for an external investment pool to be permitted to measure its investments at the amortized cost for financial reporting purposes. This Statement also requires that the pool participants of external investment pools that meet the criteria also report their investments at the amortized cost for financial reporting purposes. External Investment Pools that not meet the requirement are required to follow paragraph 16 of GASB Statement No. 31. GASB Statement No. 79 requires additional note disclosures to be made in qualifying external investment pools financial statements. The additional note disclosures are also required to be made in the pool participants financial statements. The adoption of GASB Statement No. 79 did not have a significant impact on the City's financial statements.

In January 2016, the GASB issued Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. GASB Statement No. 80 was effective for periods beginning after June 15, 2016. The adoption of GASB Statement No. 80 did not have a significant impact on the City's financial statements.

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

GASB Statement No. 82, *Pension Issues (an Amendment of GASB Statements No. 67, No. 68, and No. 73)*

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Activities*

GASB Statement No. 85, *Omnibus 2017*

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June 30, 2017**

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

GASB Statement No. 87, *Leases*

The City will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The City believes that the above listed new GASB pronouncements will not have a significant financial impact to the City or in issuing its financial statements.

NOTE 15 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2017 have been evaluated by management through December 15, 2017, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2017 require adjustment or disclosure in the financial statement.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2017**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
Public Employees Retirement Association (PERA)
For Last 10 Fiscal Years*
(Dollar amounts in thousands)**

Fiscal Year Measurement Date	30-Jun		
	2017 2016	2016 2015	2015 2014
City's Proportion of the Net Pension Liability (Asset)			
Municipal General	0.2954%	0.2908%	0.3329%
Municipal Police	0.2561%	0.2958%	0.2904%
Component Unit - Municipal General	0.0806%	0.0782%	0.0982%
City's Proportionate Share of Net Pension Liability (Asset)			
Municipal General	\$ 4,719,498	\$ 2,964,958	\$ 2,596,977
Municipal Police	1,889,582	1,396,406	964,276
Component Unit - Municipal General	1,287,717	797,317	766,065
	<u>\$ 7,896,797</u>	<u>\$ 5,158,681</u>	<u>\$ 4,327,318</u>
City's Covered-Employee Payroll			
Municipal General	\$ 2,550,738	\$ 2,246,083	\$ 2,439,725
Municipal Police	550,728	838,111	934,075
Component Unit - Municipal General	615,593	571,154	605,461
	<u>\$ 3,717,059</u>	<u>\$ 3,655,348</u>	<u>\$ 3,979,261</u>
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll			
Municipal General	185.02%	116.24%	106.45%
Municipal Police	343.11%	253.56%	103.23%
Component Unit - Municipal General	209.18%	139.60%	126.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			
Municipal General	69.18%	76.99%	81.29%
Municipal Police	69.18%	76.99%	81.29%
Component Unit - Municipal General	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CITY CONTRIBUTIONS
JUNE 30, 2017

SCHEDULE OF CITY'S CONTRIBUTIONS
Public Employees Retirement Association (PERA)
Last Ten Fiscal Years*
(Dollars in Thousands)

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Contributions in relation to the contractually required contribution					
Municipal General	\$ 243,595	\$	241,619	\$	229,899
Municipal Police	104,088		96,273		107,568
Component Unit - Municipal General	74,420		65,939		61,787
	<u>\$ 422,103</u>	<u>\$</u>	<u>403,831</u>	<u>\$</u>	<u>399,254</u>
Contractually required contributions					
Municipal General	\$ 243,595	\$	241,619	\$	229,899
Municipal Police	104,087		96,273		107,568
Component Unit - Municipal General	74,420		65,939		61,787
	<u>\$ 422,102</u>	<u>\$</u>	<u>403,831</u>	<u>\$</u>	<u>399,254</u>
City's covered payroll					
Municipal General	\$ 2,550,738	\$	2,246,083	\$	2,439,725
Municipal Police	550,728		838,111		934,075
Component Unit - Municipal General	615,593		571,154		605,461
	<u>\$ 3,717,059</u>	<u>\$</u>	<u>3,655,348</u>	<u>\$</u>	<u>3,979,261</u>
Contributions "in relation" as a percentage of covered-employee payroll					
Municipal General	9.55%		10.76%		10.24%
Municipal Police	18.90%		11.49%		12.83%
Component Unit - Municipal General	12.09%		11.54%		10.20%

**Governmental Accounting Standards Board Statement* 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Employer's name is not available prior to fiscal year 2015, the year the statement's requirements became effective

** Amounts for covered payroll for 2017 are imputed using the contribution rates for the various plans

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2017**

Special Revenue Funds

Fire Protection - 209

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 - 217

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 - 201

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 - 211

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 - 296

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 - 214

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 - 216

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 - 295

To account for the City's pool funds. This fund was authorized by the City Commission.

State Library - 294

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 - 293

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2017**

Special Revenue Funds (Continued)

Federal Seizures Share - 292

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 - 304

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 - 305

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.

Local Economic Development Act (LEDA) – 319

To account for monies related to the Local Economic Development Act, which allows the pursuit of public resources for economic development purposes. This fund was authorized by the City Commission.

Golf Course Improvements - 307

To account for monies related to capital outlay upgrade of the golf course. This fund was authorized by the City Commission.

USDA Street Sweeper - 308

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

USDA WWTP - 309

To account for the monies related to wastewater treatment facility upgrade. This fund was authorized by the City Commission.

R & R Emergency - 310

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 - 303

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 - 314

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2017**

Proprietary Funds

Golf Course Fund - 508

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 - 501

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
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue			
	Fire Protection 209	Recreation Fund 217	Correction Fees 201	Law Enforcement Protection 211
<i>Assets</i>				
Cash and cash equivalents	\$ 315,737	7,052	6,795	227
Restricted cash and cash equivalents	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Miscellaneous receivables	-	-	-	-
Inventory	-	-	-	-
Total assets	\$ 315,737	7,052	6,795	227
<i>Liabilities</i>				
Accounts payable	\$ 1,020	-	1,330	-
Accrued payroll	-	-	-	-
Total liabilities	1,020	-	1,330	-
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
Total Deferred Inflows	-	-	-	-
Total Liabilities and Deferred Inflows	1,020	-	1,330	-
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Public Safety	-	-	-	227
Culture and recreation	-	7,052	-	-
Transportation and roads	-	-	-	-
Fire protection	314,717	-	-	-
Veteran's Wall	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	5,465	-
Total fund balances	314,717	7,052	5,465	227
Total liabilities and fund balances	\$ 315,737	7,052	6,795	227

Special Revenue

Police Department GRT Fund 296	Lodger's Tax 214	Municipal Streets Fund 216	Municipal Pool 295	State Library 294	Veteran's Wall Perpetual Care 293	Federal Seizures Share 292
276,632	175,115	328,625	691	2,317	34,584	2,454
-	-	-	-	-	-	-
-	14,077	4,076	-	-	-	-
-	-	-	-	-	-	-
-	-	113,103	31,557	-	-	-
<u>276,632</u>	<u>189,192</u>	<u>445,804</u>	<u>32,248</u>	<u>2,317</u>	<u>34,584</u>	<u>2,454</u>
-	2,521	255	2,614	298	-	-
-	-	-	-	-	-	-
-	<u>2,521</u>	<u>255</u>	<u>2,614</u>	<u>298</u>	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>2,521</u>	<u>255</u>	<u>2,614</u>	<u>298</u>	-	-
-	-	113,103	31,557	-	-	-
276,632	-	-	-	-	-	2,454
-	186,671	-	-	2,019	-	-
-	-	332,446	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	34,584	-
-	-	-	-	-	-	-
-	-	-	(1,923)	-	-	-
<u>276,632</u>	<u>186,671</u>	<u>445,549</u>	<u>29,634</u>	<u>2,019</u>	<u>34,584</u>	<u>2,454</u>
<u>276,632</u>	<u>189,192</u>	<u>445,804</u>	<u>32,248</u>	<u>2,317</u>	<u>34,584</u>	<u>2,454</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017**

	Capital Projects			
	USDA WWTP 309	Senior Transportation 304	Capital Expenditures 305	Local Econ. Dev. Act (LEDA) 319
<i>Assets</i>				
Cash and cash equivalents	\$ -	88,170	60,582	8,492
Restricted cash and cash equivalents	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Miscellaneous receivables	-	-	-	-
Inventory	-	-	-	-
Total assets	\$ -	88,170	60,582	8,492
<i>Liabilities</i>				
Accounts payable	\$ -	-	11,303	-
Accrued payroll	-	-	-	-
Total liabilities	-	-	11,303	-
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
Total Deferred Inflows	-	-	-	-
Total Liabilities and Deferred Inflows	-	-	11,303	-
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Public Safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Fire protection	-	-	-	-
Veteran's Wall	-	-	-	-
Capital projects	-	88,170	49,279	8,492
Unassigned	-	-	-	-
Total fund balances	-	88,170	49,279	8,492
Total liabilities and fund balances	\$ -	88,170	60,582	8,492

Capital Projects					Total Nonmajor Governmental Funds
USDA Street Sweeper 308	Golf Course Improvement 307	R & R Emergency 310	Veteran's Wall 303	CDBG Project 314	
100	36,454	57,438	53,312	2,119	1,456,896
-	-	-	-	-	-
-	-	-	-	-	18,153
-	-	-	-	-	-
-	-	-	-	-	144,660
<u>100</u>	<u>36,454</u>	<u>57,438</u>	<u>53,312</u>	<u>2,119</u>	<u>1,619,709</u>
-	-	-	126	-	19,467
-	-	-	-	-	-
-	-	-	126	-	19,467
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	126	-	19,467
-	-	-	-	-	144,660
-	-	-	-	-	279,313
-	-	-	-	-	195,742
-	-	-	-	-	332,446
-	-	-	-	-	314,717
-	-	-	53,186	-	87,770
100	36,454	57,438	-	2,119	242,052
-	-	-	-	-	3,542
<u>100</u>	<u>36,454</u>	<u>57,438</u>	<u>53,186</u>	<u>2,119</u>	<u>1,600,242</u>
<u>100</u>	<u>36,454</u>	<u>57,438</u>	<u>53,312</u>	<u>2,119</u>	<u>1,619,709</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Special Revenue			
	Fire Protection	Recreation Fund	Correction Fees	Law Enforcement Protection
	209	217	201	211
<i>Revenues</i>				
Taxes:				
Gross Receipts	\$ -	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal capital grants	-	-	-	-
State operating grants	213,571	-	-	24,800
State capital grants	-	-	-	-
Charges for services	-	-	7,279	-
Investment income	-	-	-	-
Miscellaneous	327	28	-	-
<i>Total revenues</i>	<u>213,898</u>	<u>28</u>	<u>7,279</u>	<u>24,800</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	42,153	-	1,826	12,239
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	32,457	37,805	30,400	23,499
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>74,610</u>	<u>37,805</u>	<u>32,226</u>	<u>35,738</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>139,288</u>	<u>(37,777)</u>	<u>(24,947)</u>	<u>(10,938)</u>
Other Financing Sources (Uses)				
Proceeds from loans				
Transfers, in	-	10,000	27,000	-
Transfers, out	(130)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(130)</u>	<u>10,000</u>	<u>27,000</u>	<u>-</u>
<i>Net change in fund balances</i>	139,158	(27,777)	2,053	(10,938)
<i>Fund balances - beginning of year</i>	<u>175,559</u>	<u>34,829</u>	<u>3,412</u>	<u>11,165</u>
<i>Fund balances, end of year</i>	<u>\$ 314,717</u>	<u>7,052</u>	<u>5,465</u>	<u>227</u>

Police Department GRT Fund 296	Lodger's Tax 214	Municipal Streets Fund 216	Special Revenue				Federal Seizures Share 292
			Municipal Pool 295	State Library 294	Veteran's Wall Perpetual Care 293		
-	-	196,963	693	-	-	-	
-	-	55,600	-	-	-	-	
-	259,146	-	-	-	-	-	
72,000	-	-	-	-	-	-	
-	10,000	176,937	-	11,599	-	-	
-	-	-	-	-	-	-	
55,049	55,220	-	15,287	-	-	-	
252	122	259	-	-	-	-	
10,433	-	-	-	1,801	1,550	-	
<u>137,734</u>	<u>324,488</u>	<u>429,759</u>	<u>15,980</u>	<u>13,400</u>	<u>1,550</u>	<u>-</u>	
-	137,944	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	26,519	-	-	-	-	
-	-	-	120,953	15,151	-	-	
360,058	54,707	237,882	5,920	2,546	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>360,058</u>	<u>192,651</u>	<u>264,401</u>	<u>126,873</u>	<u>17,697</u>	<u>-</u>	<u>-</u>	
<u>(222,324)</u>	<u>131,837</u>	<u>165,358</u>	<u>(110,893)</u>	<u>(4,297)</u>	<u>1,550</u>	<u>-</u>	
273,000	-	-	149,288	-	-	-	
-	(55,000)	-	-	-	-	-	
<u>273,000</u>	<u>(55,000)</u>	<u>-</u>	<u>149,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	
50,676	76,837	165,358	38,395	(4,297)	1,550	-	
<u>225,956</u>	<u>109,834</u>	<u>280,191</u>	<u>(8,761)</u>	<u>6,316</u>	<u>33,034</u>	<u>2,454</u>	
<u>276,632</u>	<u>186,671</u>	<u>445,549</u>	<u>29,634</u>	<u>2,019</u>	<u>34,584</u>	<u>2,454</u>	

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	USDA WWTP 309	Capital Projects Senior Transportation 304	Capital Expenditures 305	Local Econ. Dev. Act (LEDA) 319
<i>Revenues</i>				
Taxes:				
Gross Receipts	\$ -	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal capital grants	-	-	145,000	125,000
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	102,757	-
Investment income	-	-	74	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>247,831</u>	<u>125,000</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	116,508
Public works	-	-	119,923	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	110,174	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>230,097</u>	<u>116,508</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>17,734</u>	<u>8,492</u>
Other Financing Sources (Uses)				
Proceeds from loans				
Transfers, in	162,443	-	30,000	-
Transfers, out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>162,443</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
<i>Net change in fund balances</i>	162,443	-	47,734	8,492
<i>Fund balances - beginning of year</i>	<u>(162,443)</u>	<u>88,170</u>	<u>1,545</u>	<u>-</u>
<i>Fund balances, end of year</i>	<u>\$ -</u>	<u>88,170</u>	<u>49,279</u>	<u>8,492</u>

Capital Projects						Total Nonmajor Governmental Funds
USDA Street Sweeper 308	Golf Course Improvements 307	R & R Emergency 310	Veteran's Wall 303	CDBG Project 314		
-	-	-	-	-	-	197,656
-	-	-	-	-	-	55,600
-	-	-	-	-	-	259,146
-	-	-	-	-	-	342,000
-	-	-	-	-	-	436,907
-	-	-	-	-	-	-
-	-	-	-	-	-	235,592
-	-	-	-	-	-	707
-	-	-	-	-	-	14,139
-	-	-	-	-	-	1,541,747
-	-	-	-	-	-	137,944
-	-	-	-	-	-	172,726
-	-	-	-	-	-	146,442
-	-	-	1,558	-	-	137,662
-	-	-	-	-	-	895,448
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,558	-	-	1,490,222
-	-	-	(1,558)	-	-	51,525
-	-	2,500	-	-	-	654,231
-	-	-	-	-	-	(55,130)
-	-	2,500	-	-	-	599,101
-	-	2,500	(1,558)	-	-	650,626
100	36,454	54,938	54,744	2,119	-	949,616
100	36,454	57,438	53,186	2,119	-	1,600,242

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2017**

	Business Type Activities - Enterprise Funds		
	Golf Course 508	Cemetery 501	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash, investments and cash equivalents	\$ 6,498	34,473	40,971
Receivables:			
Charges for services, net	-	-	-
Total current assets	<u>6,498</u>	<u>34,473</u>	<u>40,971</u>
Noncurrent assets			
Capital assets	1,280,281	134,509	1,414,790
Less: Accumulated depreciation	(474,245)	(25,834)	(500,079)
Total assets	<u>\$ 812,534</u>	<u>143,148</u>	<u>955,682</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 1,410	499	1,909
Total current liabilities	<u>1,410</u>	<u>499</u>	<u>1,909</u>
Net position			
Net investment in capital assets	806,036	108,675	914,711
Unrestricted	5,088	33,974	39,062
Total net position	<u>811,124</u>	<u>142,649</u>	<u>953,773</u>
Total liabilities and net position	<u>\$ 812,534</u>	<u>143,148</u>	<u>955,682</u>

See Notes to 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, 2017**

	Business Type Activities - Enterprise Funds		
	Golf Course 508	Cemetery 501	Total Nonmajor Enterprise Funds
<i>Operating Revenues</i>			
Charges for services	\$ 16,388	6,980	23,368
<i>Total revenues</i>	<u>16,388</u>	<u>6,980</u>	<u>23,368</u>
<i>Operating Expenses</i>			
General operating	144,325	6,666	150,991
Depreciation	19,052	3,860	22,912
Utilities	10,115	-	10,115
<i>Total operating expenses</i>	<u>173,492</u>	<u>10,526</u>	<u>184,018</u>
<i>Operating income (loss)</i>	<u>(157,104)</u>	<u>(3,546)</u>	<u>(160,650)</u>
<i>Nonoperating revenues (expenses)</i>			
Investment income	22	18	40
Miscellaneous income	14,263	-	14,263
<i>Total non-operating revenues (expenses)</i>	<u>14,285</u>	<u>18</u>	<u>14,303</u>
<i>Income (loss) before contributions and transfers</i>	<u>(142,819)</u>	<u>(3,528)</u>	<u>(146,347)</u>
Transfers in	220,788	3,271	224,059
Transfers out	-	-	-
<i>Change in net position</i>	<u>77,969</u>	<u>(257)</u>	<u>77,712</u>
Net position - beginning	<u>733,155</u>	<u>142,906</u>	<u>876,061</u>
<i>Net position - end of year</i>	<u>\$ 811,124</u>	<u>142,649</u>	<u>953,773</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2017**

	Business Type Activities - Enterprise Funds		
	Golf Course	Cemetery	Total Nonmajor Enterprise Funds
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 16,388	6,980	23,368
Cash payments to suppliers for goods and services	(167,333)	(7,935)	(175,268)
<i>Net cash provided (used) by operating activities</i>	<u>(150,945)</u>	<u>(955)</u>	<u>(151,900)</u>
<i>Cash flows from noncapital financing activities</i>			
Miscellaneous income	14,285	18	14,303
Transfers	220,788	3,271	224,059
<i>Net cash provided by noncapital financing activities</i>	<u>235,073</u>	<u>3,289</u>	<u>238,362</u>
<i>Cash flows from investing activities</i>			
Interest on investments	-	-	-
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash flows from capital and related financing activities</i>			
Acquisition of capital assets	(80,788)	(3,271)	(84,059)
<i>Net cash (used) by capital and related financing activities</i>	<u>(80,788)</u>	<u>(3,271)</u>	<u>(84,059)</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>3,340</u>	<u>(937)</u>	<u>2,403</u>
Cash and cash equivalents - beginning of year	<u>3,158</u>	<u>35,410</u>	<u>38,568</u>
Cash and cash equivalents - end of year	<u>\$ 6,498</u>	<u>34,473</u>	<u>40,971</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (157,104)	(3,546)	(160,650)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
<i>Depreciation</i>	19,052	3,860	22,912
Changes in assets and liabilities			
Receivables	-	-	-
Account payable	(12,893)	(1,269)	(14,162)
<i>Net cash provided (used) by operating activities</i>	<u>\$ (150,945)</u>	<u>(955)</u>	<u>(151,900)</u>

ADDITIONAL OTHER SUPPLEMENTARY SCHEDULES

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
Year Ended June 30, 2017**

<u>Bank Name</u>	<u>Account Type</u>	<u>Totals</u>
First Savings Bank		
GENERAL	Demand Account	\$ 943,665
LOCAL GOVERNMENT CORRECTIONS	Demand Account	6,795
FIRE PROTECTION	Demand Account	315,737
LAW ENFORCEMENT PROTECTION	Demand Account	227
LODGER'S TAX	Demand Account	175,115
MUNICIPAL STREET FUND	Demand Account	328,625
RECREATION	Demand Account	7,002
FEDERAL SEIZURE SHARE	Demand Account	2,455
VETERANS WALL PERPETUAL CARE	Demand Account	34,584
LIBRARY	Demand Account	2,317
MUNICIPAL POOL	Demand Account	691
PD GRT FUND	Demand Account	276,632
PD CONFIDENTIAL	Demand Account	5,568
PD DONATIONS	Demand Account	8,057
ELECTRICAL CONSTRUCTION	Demand Account	42,206
VETERANS WALL	Demand Account	53,312
SENIOR GRANTS	Demand Account	88,170
CAPITAL IMPROVEMENTS GENERAL	Demand Account	60,582
CAPITAL IMPROVEMENT JT UTILITY	Demand Account	223,943
GOLF COURSE IMPROVEMENTS	Demand Account	36,454
USDA STREET SWEEPER	Demand Account	100
USDA WWTP FUND	Demand Account	372,000
JOINT UT EMERGENCY	Demand Account	57,438
R & R AIRPORT (FFA)	Demand Account	33,659
R & R WATER	Demand Account	1,885
CDBG	Demand Account	2,119
CAPITAL IMPOV RESERVE	Demand Account	675,981
EMERGENCY REPAIR RESERVE	Demand Account	94,595
WASTE WATER RESERVE	Demand Account	106,122
ELECTRICAL CONSTRUCTION RESERVE	Demand Account	90,736
PLEDGE STATE TAX	Demand Account	284,228
CEMETARY FUND	Demand Account	34,473
TRANSFER STATION	Demand Account	385,952
GOLF COURSE	Demand Account	6,498
MUNICIPAL AIRPORT	Demand Account	5,047
INTERNAL SERVICE	Demand Account	71,283
PD BONDS	Demand Account	1,000
REVOLVING FUND	Demand Account	341,569
W/WW Impact Fees	Demand Account	205,361
Impact WW Dennis Murati	Demand Account	1,797
Impact WW James Lewis	Demand Account	1,797
Impact WW NM Veerans Home	Demand Account	201,298
Impact WW Lewis & Janet Kern	Demand Account	997
LEDA Funds	Demand Account	8,492
Joint Utility (pooled cash)	Demand Account	2,354,278
CD INVESTMENT R&R SEWER	Time Account	144,197
CD INVESTMENT R&R WATER	Time Account	127,421
CD INVESTMENT PLEDGE	Time Account	588,975
CD INVESTMENT ELECTRIC	Time Account	503,516
CD INVESTMENT CAPITAL IMPOVE	Time Account	1,026,239
CD INVESTMENT EMERG REPAIR	Time Account	81,972
CD INVESTMENT WASTE WATER REPAIR	Time Account	102,627
CD INVESTMENT ELEC CONST	Time Account	83,156
CD INVESTMENT HSLD	Time Account	100,000
Total for First Savings Bank		<u>10,708,946</u>

NMFA			
Storage Tanks		Cash/Investment	30,212
Electric Upgrade		Cash/Investment	176,326
Police Department Building		Cash/Investment	21,901
Recreational		Cash/Investment	311,392
Streets Improvements		Cash/Investment	183,494
Water Tank		Cash/Investment	10,009
Refunding Water Revenue		Cash/Investment	110,092
Fire Pump		Cash/Investment	197
	Total NMFA		<u>843,623</u>
NM LGIP Fund			
LGIP Fund			<u>1,309,888</u>
	Total NM LGIP		<u>1,309,888</u>
Total on Deposit and Investments		Cash/Investment	<u>12,862,457</u>
Reconciling Items			<u>(339,352)</u>
Total Deposits and Investments			<u>12,523,105</u>
Add: Petty Cash			1,061
Less: Restricted Cash and Cash Equivalents per the Statement of Net Position			1,608,998
Less: Investments per the Statement of Net Position			4,068,435
Total Unrestricted Cash and Cash Equivalents per the Statement of Net Position		\$	<u><u>6,846,733</u></u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2017

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2017	Location of Safekeeper
First Savings Bank					
	FHLMC AGENCY	5/30/2019	3137EADG1	\$ 2,010,606	Federal Reserve, Beresford SD
	FNMA 10 YR	4/1/2024	31418BB54	360,015	Federal Reserve, Beresford SD
	FNMA 15YR	8/1/2026	31417Y4X2	302,098	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2026	3138E1HB6	1,244,799	Federal Reserve, Beresford SD
	GNMA 15YR	2/15/2027	36176XBY4	1,050,438	Federal Reserve, Beresford SD
	GNMA II 15YR	3/20/2027	36202F4K9	620,888	Federal Reserve, Beresford SD
	FNR 2012-66 HE	6/25/2027	3136A6A20	521,833	Federal Reserve, Beresford SD
	GNR 2012-96 AD	8/20/2027	38378HAU0	196,050	Federal Reserve, Beresford SD
	FHR 4136 NG	11/15/2027	3137AWKN4	194,131	Federal Reserve, Beresford SD
	FHR 4136 NG	11/15/2027	3137AWKN4	388,261	Federal Reserve, Beresford SD
	FHLMC 15YR	12/1/2028	3132KEMF9	959,107	Federal Reserve, Beresford SD
	FHLMC 15YR	12/1/2029	3138ERHG8	278,056	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2029	3138ERHG8	556,112	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2029	3140J5EA3	433,471	Federal Reserve, Beresford SD
	FHLMC 15YR	2/1/1930	3128MECV1	288,162	Federal Reserve, Beresford SD
	FHLMC 15YR	8/1/1931	3128ME4M0	190,151	Federal Reserve, Beresford SD
	FHLMC 15YR	8/1/1931	3128ME4M0	332,764	Federal Reserve, Beresford SD
	FHLMC 15YR	8/1/1931	3132KFNN8	373,731	Federal Reserve, Beresford SD
	FHR 4080 NA	5/15/1932	3137ARS72	307,988	Federal Reserve, Beresford SD
	FNR 2013-73 TC	9/25/1942	3136AFTR5	191,608	Federal Reserve, Beresford SD
	FNR 2013-73 TC	9/25/1942	3136AFTR5	136,863	Federal Reserve, Beresford SD
			Total	\$ <u>10,937,132</u>	

STATE OF NEW MEXICO
City of Truth or Consequences
Financial Data Schedule
June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
111	Cash - Unrestricted	\$ 447,417	\$ -	\$ 50,119	\$ 55,378
113	Cash - Other Restricted	14,493	-	-	87,952
114	Cash - Tenant Security Deposits	35,238	-	-	9,065
100	<i>Total Cash</i>	<u>497,148</u>	<u>-</u>	<u>50,119</u>	<u>152,395</u>
121	Accounts Receivable - PHA projects	-	-	-	-
125	Accounts Receivable - Miscellaneous	163,983	-	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	2,872	-	-	4,944
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(287)	-	-	(494)
120	<i>Total Receivables, Net of Allowance for Doubtful Accounts</i>	<u>166,568</u>	<u>-</u>	<u>-</u>	<u>4,450</u>
131	Investments - Unrestricted	221,251	-	-	-
130	<i>Total Investments</i>	<u>221,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
142	Prepaid Expenses and Other Assets	14,314	-	2,959	14,764
143	Inventories	3,641	-	-	3,096
150	<i>Total Current Assets</i>	<u>902,922</u>	<u>-</u>	<u>53,078</u>	<u>174,705</u>
161	Land	431,590	-	-	205,946
162	Buildings	4,610,074	-	6,551	2,022,079
163	Furniture, Equipment & Machinery - Dwellings	259,252	-	-	56,243
164	Furniture, Equipment & Machinery - Administration	385,925	-	16,342	20,771
165	Leasehold Improvements	524,680	-	18,015	73,621
166	Accumulated Depreciation	(4,431,170)	-	(20,689)	(1,163,599)
167	Construction in progress	214,773	-	-	-
160	<i>Total Capital Assets, Net of Accumulated Depreciation</i>	<u>1,995,124</u>	<u>-</u>	<u>20,219</u>	<u>1,215,061</u>
180	<i>Total Non-Current Assets</i>	<u>1,995,124</u>	<u>-</u>	<u>20,219</u>	<u>1,215,061</u>
190	<i>Total Assets</i>	<u>2,898,046</u>	<u>-</u>	<u>73,297</u>	<u>1,389,766</u>
200	Deferred Outflows of Resources	211,595	-	-	70,615
290	<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 3,109,641</u>	<u>\$ -</u>	<u>\$ 73,297</u>	<u>\$ 1,460,381</u>

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ 108,550	\$ -	\$ 5,922	\$ 149,382	\$ 816,768
-	-	41,687	-	-	-	144,132
-	-	-	-	-	-	44,303
-	-	150,237	-	5,922	149,382	1,005,203
-	-	-	-	-	-	-
-	-	-	-	-	384,599	548,582
-	-	-	-	-	-	7,816
-	-	-	-	-	-	(781)
-	-	-	-	-	384,599	555,617
-	-	-	-	-	76,953	298,204
-	-	-	-	-	76,953	298,204
-	-	-	-	-	-	32,037
-	-	-	-	-	-	6,737
-	-	150,237	-	5,922	610,934	1,897,798
-	-	-	-	-	-	637,536
-	-	-	-	-	-	6,638,704
-	-	-	-	-	-	315,495
-	-	35,730	-	-	-	458,768
-	-	-	-	-	-	616,316
-	-	(31,426)	-	-	-	(5,646,884)
-	-	-	-	-	-	214,773
-	-	4,304	-	-	-	3,234,708
-	-	4,304	-	-	-	3,234,708
-	-	154,541	-	5,922	610,934	5,132,506
-	-	67,870	-	-	62,437	412,517
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,411</u>	<u>\$ -</u>	<u>\$ 5,922</u>	<u>\$ 673,371</u>	<u>\$ 5,545,023</u>

See independent auditors' report.

STATE OF NEW MEXICO
City of Truth or Consequences
Financial Data Schedule
June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
312	Accounts Payable <= 90 Days	\$ 12,509	\$ -	\$ 154	\$ 2,703
321	Accrued Wage/Payroll Taxes Payable	52,922	-	-	-
322	Accrued Compensated Absences - Current Portion	11,142	-	-	4,111
341	Tenant Security Deposits	35,238	-	-	9,236
343	Current Portion of Long-term Debt - Capital Projects	-	-	-	38,615
345	Other Current Liabilities	14,493	-	-	61,721
310	<i>Total Current Liabilities</i>	<u>126,304</u>	<u>-</u>	<u>154</u>	<u>116,386</u>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	809,626
354	Accrued Compensated Absences - Non-Current	-	-	-	-
357	Accrued Pension and OPEB	617,337	-	-	158,748
350	<i>Total Non-Current Liabilities</i>	<u>617,337</u>	<u>-</u>	<u>-</u>	<u>968,374</u>
300	<i>Total Liabilities</i>	<u>743,641</u>	<u>-</u>	<u>154</u>	<u>1,084,760</u>
400	Deferred Inflows of Resources	38,839	-	-	7,071
508.1	Net investment in capital assets	1,995,124	-	20,219	366,820
511	Restricted Net Position	-	-	-	87,952
512.1	Unrestricted Net Position	332,037	-	52,924	(86,222)
513	<i>Total Equity/Net Position</i>	<u>2,327,161</u>	<u>-</u>	<u>73,143</u>	<u>368,550</u>
600	<i>Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position</i>	<u>\$ 3,109,641</u>	<u>\$ -</u>	<u>\$ 73,297</u>	<u>\$ 1,460,381</u>

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ 401	\$ -	\$ -	\$ 53	\$ 15,820
-	-	-	-	-	-	52,922
-	-	-	-	-	9,396	24,649
-	-	-	-	-	-	44,474
-	-	-	-	-	-	38,615
-	-	41,687	-	-	163,983	281,884
-	-	42,088	-	-	173,432	458,364
-	-	-	-	-	-	809,626
-	-	11,183	-	-	-	11,183
-	-	209,634	-	-	302,000	1,287,719
-	-	220,817	-	-	302,000	2,108,528
-	-	262,905	-	-	475,432	2,566,892
-	-	30,507	-	-	(6,801)	69,616
-	-	4,304	-	-	-	2,386,467
-	-	702	-	-	-	88,654
-	-	(76,007)	-	5,922	204,740	433,394
-	-	(71,001)	-	5,922	204,740	2,908,515
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,411</u>	<u>\$ -</u>	<u>\$ 5,922</u>	<u>\$ 673,371</u>	<u>\$ 5,545,023</u>

See independent auditors' report.

STATE OF NEW MEXICO
City of Truth or Consequences
Financial Data Schedule
June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
70300	Net Tenant Rental Revenue	\$ 240,465	\$ -	\$ 20,040	\$ -
70400	Tenant Revenue - Other	1,697	-	-	128,805
70500	<i>Total Tenant Revenue</i>	<u>242,162</u>	<u>-</u>	<u>20,040</u>	<u>128,805</u>
70600	HUD PHA Operating Grants	243,101	1,871	-	79,781
70610	Capital Grants	-	99,915	-	-
71100	Investment Income - Unrestricted	3,120	-	-	148
71400	Fraud Recovery	-	-	-	-
71500	Other Revenue	24,338	-	97	7,041
70000	<i>Total Revenue</i>	<u>512,721</u>	<u>101,786</u>	<u>20,137</u>	<u>215,775</u>
91100	Administrative Salaries	34,168	-	-	10,951
91200	Auditing Fees	11,202	-	1,500	5,164
91310	Book-keeping Fee	5,003	-	1,103	-
91400	Advertising and Marketing	4,396	-	-	461
91500	Employee Benefit Contributions - Administrative	21,357	-	-	23,528
91600	Office Expenses	29,294	-	-	2,498
91700	Legal Expense	2,282	-	-	40
91800	Travel	8,005	-	-	-
91900	Other Operating - Administrative	9,430	-	815	33,574
91000	<i>Total Operating - Administrative</i>	<u>125,137</u>	<u>-</u>	<u>3,418</u>	<u>76,216</u>
92100	Tenant Services - Salaries	38,756	-	-	-
92300	Employee Benefit Contributions - Tenant Services	21,850	-	-	-
92500	<i>Total Tenant Services</i>	<u>60,606</u>	<u>-</u>	<u>-</u>	<u>-</u>
93100	Water	12,893	-	271	6,400
93200	Electricity	55,011	-	-	4,382
93300	Gas	4,144	-	876	3,095
93600	Sewer	-	-	-	9,569
93800	Other Utilities Expense	9,412	-	467	7,666
93000	<i>Total Utilities</i>	<u>81,460</u>	<u>-</u>	<u>1,614</u>	<u>31,112</u>

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,505
-	-	-	-	-	-	130,502
-	-	-	-	-	-	391,007
152,694	56,112	995,962	74,519	-	-	1,604,040
-	-	-	-	-	-	99,915
-	-	425	-	-	681	4,374
-	-	622	-	-	-	622
-	-	11,815	-	-	194,696	237,987
152,694	56,112	1,008,824	74,519	-	195,377	2,337,945
-	-	34,326	7,048	-	75,986	162,479
-	-	6,456	-	-	1,500	25,822
-	-	4,956	-	-	1,103	12,165
-	-	-	-	-	-	4,857
-	-	24,958	5,000	-	50,629	125,472
-	-	15,375	-	-	2,757	49,924
-	-	-	-	-	1,000	3,322
-	-	4,818	-	-	197	13,020
-	-	10,243	-	-	100	54,162
-	-	101,132	12,048	-	133,272	451,223
-	-	-	-	-	-	38,756
-	-	-	-	-	-	21,850
-	-	-	-	-	-	60,606
-	-	-	-	-	-	19,564
-	-	-	-	-	-	59,393
-	-	-	-	-	-	8,115
-	-	-	-	-	-	9,569
-	-	-	-	-	-	17,545
-	-	-	-	-	-	114,186

See independent auditors' report.

STATE OF NEW MEXICO
City of Truth or Consequences
A Component Unit of the City of Truth or Consequences
Financial Data Schedule
June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
94100	Ordinary Maintenance & Operation - Labor	\$ 69,224	\$ -	\$ -	\$ 27,027
94200	Ordinary Maintenance & Operation - Materials & Other	35,141	-	2,560	16,790
94300	Ordinary Maintenance & Operation Contracts	71,310	-	183	43,420
94500	Employee Benefit Contributions - Ordinary Maintenance	37,700	-	-	17,371
94000	<i>Total Maintenance</i>	<u>213,375</u>	<u>-</u>	<u>2,743</u>	<u>104,608</u>
96110	Property Insurance	19,536	-	2,666	13,349
96130	Workmen's Compensation	-	-	-	1,419
96140	All Other Insurance	-	-	-	2,397
96100	<i>Total Insurance Premiums</i>	<u>19,536</u>	<u>-</u>	<u>2,666</u>	<u>17,165</u>
96200	Other General Expenses	58,094	-	-	2,607
96400	Bad Debt - Tenant Rents	1,980	-	-	188
96000	<i>Total Other General</i>	<u>60,074</u>	<u>-</u>	<u>-</u>	<u>2,795</u>
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	92,747
96700	<i>Total Interest Expense and Amortization Cost</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,747</u>
96900	<i>Total Operating Expenses</i>	<u>560,188</u>	<u>-</u>	<u>10,441</u>	<u>324,643</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>(47,467)</u>	<u>101,786</u>	<u>9,696</u>	<u>(108,868)</u>
97300	Housing Assistance Payments	-	-	-	-
97400	Depreciation Expense	63,211	-	655	63,973
90000	<i>Total Expenses</i>	<u>\$ 623,399</u>	<u>\$ -</u>	<u>\$ 11,096</u>	<u>\$ 388,616</u>
10010	Operating Transfers In	\$ 57,983	\$ -	\$ -	\$ 152,694
10020	Operating Transfers Out	-	(1,871)	-	-
10100	<i>Total Other Financing Sources (Uses)</i>	<u>57,983</u>	<u>(1,871)</u>	<u>-</u>	<u>152,694</u>

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,251
-	-	-	-	-	-	54,491
-	-	-	-	-	-	114,913
-	-	-	-	-	-	55,071
-	-	-	-	-	-	320,726
-	-	-	-	-	-	35,551
-	-	-	-	-	-	1,419
-	-	693	-	-	-	3,090
-	-	693	-	-	-	40,060
-	-	5,007	-	-	23,930	89,638
-	-	-	-	-	-	2,168
-	-	5,007	-	-	23,930	91,806
-	-	-	-	-	-	92,747
-	-	-	-	-	-	92,747
-	-	106,832	12,048	-	157,202	1,171,354
152,694	56,112	901,992	62,471	-	38,175	1,166,591
-	-	870,373	62,022	-	-	932,395
-	-	2,718	-	-	-	130,557
\$ -	\$ -	\$ 979,923	\$ 74,070	\$ -	\$ 157,202	\$ 2,234,306
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,677
(152,694)	(56,112)	-	-	-	-	(210,677)
(152,694)	(56,112)	-	-	-	-	-

See independent auditors' report.

STATE OF NEW MEXICO
City of Truth or Consequences
Financial Data Schedule
June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ (52,695)	\$ 99,915	\$ 9,041	\$ (20,147)
11030	Beginning Equity	<u>2,279,941</u>	<u>-</u>	<u>64,102</u>	<u>388,697</u>
11040-10	Correction of Equity classification	-	-	-	-
11040-20	Equity Transfers	<u>99,915</u>	<u>(99,915)</u>	<u>-</u>	<u>-</u>
	Ending Equity (deficit)	<u>\$ 2,327,161</u>	<u>\$ -</u>	<u>\$ 73,143</u>	<u>\$ 368,550</u>
11190	Unit Months Available	<u>1,200</u>	<u>-</u>	<u>12</u>	<u>636</u>
11210	Number of Unit Months Leased	<u>1,151</u>	<u>-</u>	<u>12</u>	<u>593</u>
11270	Excess Cash	<u>\$ 1,255,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
11620	Building Purchases	99,915	-	-	-

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ 28,901	\$ 449	\$ -	\$ 38,175	\$ 103,639
-	-	(100,351)	-	5,922	166,565	2,804,876
-	-	449	(449)	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,001)</u>	<u>\$ -</u>	<u>\$ 5,922</u>	<u>\$ 204,740</u>	<u>\$ 2,908,515</u>
<u>-</u>	<u>-</u>	<u>2,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,888</u>
<u>-</u>	<u>-</u>	<u>2,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,796</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,255,719</u>
-	-	-	-	-	-	99,915

See independent auditors' report.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017**

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Transportation			
Highway Planning and Construction			
Federal-Aid Highway Program, Federal Lands Highway Program - 1101070	N/A	20.205	\$ <u>213,247</u>
Total Highway Planning and Construction			<u>213,247</u>
Airport Improvement Program			
Runway 13-31 3-35-0042-015-2015	N/A	20.106	27,586
Fuel Farm Replacement 3-35-0042-016-2016	N/A	20.106	<u>378,637</u>
Total Airport Improvement Program			<u>406,223</u>
Total Department of Transportation			<u>619,470</u>
Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities			
WWTP Phase I (Note Portion) - 114127 & IFB #15-16-005	N/A	10.760	A 479,636
WWTP Phase I (Grant Portion)- 114127 & IFB #15-16-005	N/A	10.760	A 3,282,390
WWTP Phase IIA (Colonias Grant Portion) - 3171 CIF 115119	N/A	10.760	A <u>179,793</u>
Total Water and Waste Disposal Systems for Rural Communities Grants			<u>3,941,819</u>
Total United States Department of Agriculture			<u>3,941,819</u>
Total Federal Financial Assistance			\$ <u><u>4,561,289</u></u>

A Denotes Major Program

See Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the County under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the County. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Subrecipients of Grant Awards

There were no sub-recipients during fiscal 2017.

Indirect Cost Rate

The City has elected not to use the 10% de Minimis Indirect Cost Rate.

**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***

To the City Commission
City of Truth or Consequences
and Mr. Wayne A. Johnson
New Mexico State Auditor

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the City of Truth or Consequences (the “City”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 15, 2017.

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 entity’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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the schedule of findings and responses as item 2016-001, 2016-002, 2017-001, 2017-002, 2017-003, 2017-004 and FA 2017-001 (Housing Authority – Component Unit).

The City's Response to Findings

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

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
December 15, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the City Commission
City of Truth or Consequences
and Mr. Wayne A. Johnson
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the City of Truth or Consequence's (the "City") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is listed as finding 2017-005 in the schedule of findings and questioned costs.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
December 15, 2017

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting: Material Weakness reported?	No
Significant deficiencies reported not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses reported?	No
Significant deficiencies reported not considered to be material weaknesses?	None
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of major programs: Water and Waste Disposal Systems for Rural Communities – CFDA #10.760	
Dollar threshold used to distinguish Between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001 CONTROLS OVER CASH DISBURSMENTS (Other Matter)

CONDITION: During our internal control testwork over cash disbursement we noted the purchase order was dated after the invoice for 3 out of 40 items tested totaling \$3,373.01.

CRITERIA: Per the City's finance policies and procedures (which comply with the New Mexico Procurement Code, Article 1, Sections 13-1-1 thru 13-1-199), the City is required to use a pre-numbered purchase order for all goods and services procured. The City's policies and procedures also state that all purchase orders must be approved by management before the purchase is made.

EFFECT: The City is not in compliance with state statutes or the City's internal control policies which could lead to misappropriation of assets through unauthorized purchases.

CAUSE: Lack of training of employees purchasing goods/services (all purchases must have a PO and must be approved by management prior to purchase and payment), and/or lax oversight of purchasing process.

RECOMMENDATION: We recommend retraining and re-emphasizing the requirement that all purchases must have an approved purchase order before goods and or services are acquired.

MANAGEMENT RESPONSE: Violation of the City's policies will no longer be allowed. The City will ensure that the City's Financial Policies and Procedures are adhered to by all staff and the requirement that purchase orders must be approved prior to actual purchase will be strictly followed. Employees in violation of the policies in place will be required to pay for any unauthorized purchases they make. The enforcement of the written policies will be monitored by the Finance Department's CPO (Chief Procurement Officer), Accounting Consultant, and/or Finance Director to ensure we're performing our due diligence and holding staff accountable.

In instances wherein all Finance Department designated approvers are unavailable to provide the required approvals in a timely manner, verbal approval may be granted by the City Manager or the City Manager's designated approver. The employee seeking this approval must document the date, time, and name of the person who granted permission for the purchase on the face of the requisition form, or add this information to the requisition documentation which is submitted electronically through the Tyler System.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - CONTINUED

2017-001 CONTROLS OVER CASH DISBURSMENTS (Other Matter) – CONTINUED

- Finance policies and procedures will reflect COSO (Committee of Sponsoring Organizations) requirements for: control environment, risk assessment, control activities, information & communication and monitoring activities.
- Quarterly Internal Audits will be performed by the Finance Director or a designee.
- Designated staff will also receive ‘Train the Trainers’ education so that they may in turn, train staff on proper implementation of Procedures.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Finance Director or designee; City Manager

TIMELINE FOR CORRECTIVE ACTION: January 1, 2018

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - CONTINUED

2017-002 CONTROLS SURROUNDING PAYROLL DISBURSEMENTS (Other Matter)

CONDITION: During our test of controls over payroll disbursements we noted the following:

- Twenty four out of 40 employees did not have a properly approved Personnel Action Form (PAF) on file.

CRITERIA: Per the City's finance policies and procedures the City is required to complete a personnel action form to document hourly pay rates and changes. The form is required to be reviewed and approved before the adjusted rate is effective.

EFFECT: The City is not in compliance with their internal control policies which could lead to over/under payment of employees or payment of unauthorized rates.

CAUSE: Lack of training of employees processing payroll, and/or lax oversight of pay rate change process.

RECOMMENDATION: We recommend retraining and re-emphasizing the requirement that all employees must have a properly approved personnel action form on file and all pay rate changes require an updated personnel action form.

MANAGEMENT RESPONSE: The purpose of Personnel Action Request Forms (PARFs) will revert to being used only for new hires, new positions for existing staff, and relocation of staff to a new department. Going forward, Payroll Change Notices will be the sole form required for reviewing and approving COLA and/or merit increases. This will reduce paperwork and confusion when obtaining approval signatures on pay increases. Further, it will make more sense to utilize the PARFs only for new positions and position changes.

Human Resources will implement procedures to share information regarding the implementation of wage changes with the Payroll Administrator and Finance Director, who will then follow up to ensure changes are entered correctly, and to ensure that each program has matching information. Additionally, Human Resources and Payroll will perform quarterly audits to verify that pay rates are correct and that current Payroll Change Forms are located in Personnel Files. Training will be provided for HR and Payroll staff to correctly utilize our forms.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Human Resources Analyst, Payroll Administrator; Finance Director or designee; City Manager

TIMELINE FOR CORRECTIVE ACTION: January 1, 2018

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - CONTINUED

2017-004 CONTROLS SURROUNDING CASH RECEIPTS (Other Matter)

CONDITION: During our test of controls over cash receipts and review of the internal audit procedures performed over cash receipts we noted the following:

- Swimming Pool
 - During the internal audit of cash processes at the Swimming Pool, it was noted that Pool deposits are not being made timely. It was further noted the swimming pool is not issuing receipts to customers and the only support for cash received during the day is a sign-in sheet that is not being properly monitored.
- Library
 - During our review of supporting documents for cash receipts from the Library is was noted that Library deposits are not being made timely.
- Golf Course
 - During the internal audit of cash processes at the Golf Course, it was noted that Golf Course deposits are not being made timely. It was further noted the cash on hand at the Golf Course is not secured during business hours. It was also noted the Golf Course does not have a cash register and all transactions are recorded manually. In addition the Golf Course is not issuing receipts to customers.
 - During our review of cash receipts for the Golf Course, we noted there were no documents supporting the total. The only item submitted with the deposit was a spreadsheet listing transactions.

CRITERIA: Per the City's finance policies and procedures all money received shall be recorded by an entry for each individual transaction. Each department is responsible for issuing a receipt to the payer when money is received. All monies received are receipted and deposited in the appropriate accounts within 24 hours.

EFFECT: The City is not in compliance with their internal control policies which could lead to theft, fraud and/or misappropriation of assets.

CAUSE: Lack of cash registers and employee training on cash receipt policies and procedures.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - CONTINUED

2017-004 CONTROLS SURROUNDING CASH RECEIPTS (Other Matter) - CONTINUED

RECOMMENDATION: We recommend the City update their cash receipt policies and procedures for all locations. Employees should be trained on the updated policies and procedures for accounting, reporting and reconciling daily reports to deposits. Employees should also be trained on the daily deposit requirement. We recommend the City install a new register at the swimming pool and install a point of sale system at the golf course to properly track all transactions that occur. We also recommend the City place signs at each location informing customers they should receive a receipt for each transaction.

MANAGEMENT RESPONSE: It is the intention of the City to transfer responsibility for all receipting and contract monitoring activities from the Clerk/Treasurer's office to the Finance Department. This change will ensure that the City's account receivables are uniformed throughout each field department in regards to organizing, structure, planning, training of employees, etc. and the hiring of additional personnel, if necessary.

Once the changes have been implemented the Finance Director will be responsible for assigning tasks and responsibilities as appropriate, updating/revising policies and procedures as needed, and ensuring the City is complying with the City's internal controls, including required check and balances monitoring and supporting documentation. The recommendations for a "point of sale" system at the golf course, cash registers at the swimming pool, and signage regarding receiving receipts is appreciated and will be implemented during the transition period.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Finance Director or designee; City Manager

TIMELINE FOR CORRECTIVE ACTION: February 1, 2018

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

2017-005 – Cash Management (Other Matters)

Federal Program Information:

Funding Agency: United States Department of Agriculture
Title: Water and Waste Disposal Systems for Rural
Communities
CFDA #: 10.760
Award Year: 2017

CONDITION: Through our testing of cash management we noted cash reimbursement requests are not reviewed and approved by the Finance Department. The request are not reconciled to the underlying accounting records.

QUESTIONED COSTS: None

CRITERIA: Per Uniform Guidance 2 CFR sections 200.302(b)(6) and 200.305, 31 CFR part 205, 48 CFR sections 52.216-7(b) and 52.232.12 the City must establish and implement written internal control procedures. Per the City's internal control policies all grant activity is to be reviewed for accuracy and completeness by the Finance Department and reconciled to the accounting records of the City.

EFFECT: The City is not compliance with the grant's cash management requirements.

CAUSE: The City has not been following their written internal control policies for grant management.

RECOMMENDATION: We recommend the City follow their internal control policies to make sure all reimbursement requests are properly supported, reconciled to the City's accounting records, and are for allowable costs.

MANAGEMENT RESPONSE: Effective immediately, all requests for reimbursements will be reviewed and approved by the Finance Department prior to submittal to the payer to ensure that all claimed costs are allowable under the grant/loan provisions and are in agreement with the accounting records of the City. Requests for reimbursements will no longer be sent to the grantor/lender without being approved by the assigned approver in the Finance Department.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Finance Director or designee; City Manager

TIMELINE FOR CORRECTIVE ACTION: Immediately

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

**SECTION IV – Other Findings, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978**

2016-001 CONTROLS OVER TRAVEL AND PER DIEM DISBURSMENTS (Other Matter)

CONDITION: During compliance testwork over Travel and Per Diem disbursements we noted the city did not calculate mileage reimbursements correctly for two out of ten disbursements tested resulting in an overpayment of \$2.98.

The City has not made progress on this finding.

CRITERIA: Per 2.42.2.11 NMAC, public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties at the statutory rates, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled, unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10-8-5 (D) NMSA 1978. The city policies and procedures also require a review of these reimbursements prior to approval.

EFFECT: Not using the correct rate and/or not reviewing disbursements prior to payment can result in over or under payment and non-compliance with state statutes.

CAUSE: Lack of management review and/or training of employees on the correct rate to be utilized when reimbursing travel and mileage.

RECOMMENDATION: We suggest training for all employees processing reimbursement's for travel on where to access the correct IRS reimbursement rates and formalize a process where the reimbursement rate is reviewed by management prior to approval.

MANAGEMENT RESPONSE: Finance Director will ensure that City employees are informed and re-trained, if necessary, when any changes are made to either the federal or state reimbursement rates governing mileage or per diem. Monitoring for changes will be the primary responsibility of the Chief Procurement Officer (CPO), but will be verified independently by the Finance Director or a designated alternate.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Chief Procurement Officer, Finance Director or designee; City Manager

TIMELINE FOR CORRECTIVE ACTION: January 1, 2018

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

**SECTION IV – Other Findings, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978 - CONTINUED**

2016-002 PERA REMITTANCES AND RECORDING (Other Matter)

CONDITION: During our compliance testwork over PERA contributions, we noted the City used the incorrect remittance rate for 1 out of 26 pay periods tested. We noted the City has over reported the amount of Wages subject to PERA resulting in an overpayment to PERA in the amount of \$114.47.

The City has made progress on this finding. The \$114.47 relates to a July 2016 payment and based on our testing there were no further errors noted throughout the year.

CRITERIA: Per the Public Employees Retirement Act, 10-11-1 to 10-11-142 NMSA 1978, the City is required to report 100% of payroll to PERA. PERA membership is mandatory, unless membership is specifically excluded pursuant to section 10-11-3.B NMSA 1978.

EFFECT: The improper calculations resulted in overpayment of the retirement contribution liability to PERA. Additionally, employee retirement accounts are misstated and/or incorrect.

CAUSE: Lack of management review and/or training of employees on the correct procedures in reporting total wages to PERA.

RECOMMENDATION: We recommend training of employees reporting to PERA that 100% of payroll must be reported. We also recommend that management review all reports prepared for PERA prior to submission. Finally, we noted several PERA Adjustments submitted online throughout the year. This may indicate that errors are being made during payroll processing. If payroll is processed incorrectly, the amounts reported to PERA may be incorrect as well. We recommend that payroll processing be reviewed by management to ensure it is correct.

MANAGEMENT RESPONSE: During the pay period in question, the interim clerk working on payroll submitted the PERA payment prior to realizing the need for a Payroll Correction. This resulted in an overpayment to PERA that was never communicated to the new Payroll Administrator who was brought on board shortly after. The correction was processed and the negative amount reported to PERA in the form of an adjustment report, but it doesn't appear to have been credited correctly. With a new Payroll Administrator, the Payroll Department has implemented a checklist to follow when performing Payroll, including the reconciliation of PERA payments at the end of each pay period. The Retirement Process performed by Payroll each pay period is reviewed and approved by the Finance Director or Accounting Officer before completion by Payroll.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

**SECTION IV - Other Findings, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978 - CONTINUED**

2016-002 PERA REMITTANCES AND RECORDING (Other Matter)

Additionally, the Payroll Administrator has a direct contact with PERA, who assists when errors are flagged or adjustment reports are being submitted, as in the case with payroll corrections or special pay runs. The Payroll Administrator has created a method of tracking PERA payments, including corrections and/or adjustments, to reconcile payroll deductions with payments. Relevant training will continue to be provided in order to ensure that contributions are being calculated, reported, credited, and paid correctly.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Payroll Administrator; Finance Director

TIMELINE FOR CORRECTIVE ACTION: Procedures have been implemented.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

**SECTION IV – OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978 - CONTINUED**

2017-003 CHIEF PROCUREMENT OFFICER (Other Matter)

CONDITION: It was noted the City did not provide the State Purchasing Department with the name of their chief procurement officer.

CRITERIA: Per 13-1-95.2.A NMSA 1978, “On or before January 1 of each year beginning in 2014, and every time a chief procurement officer is hired, each state agency and local public body shall provide to the state purchasing agent the name of the state agency’s or local public body’s chief procurement officer and information identifying the state agency’s or local public body’s central purchasing office, if applicable.” Section 13-1-95.2.D NMSA 1978 also requires that the Chief Procurement Officer obtain an initial certification as well as recertification every two years.

EFFECT: The City is out of compliance with New Mexico Statutes requiring reporting of a Chief Procurement Officer.

CAUSE: The City designated a Chief Procurement Officer however this information was not submitted to the State Purchasing Division.

RECOMMENDATION: The City should ensure their designated Chief Procurement Officer has the required certification. Upon certification the City should register this individual on the New Mexico General Services Department, State Purchasing Division website.

MANAGEMENT RESPONSE: The CPO will update information as needed and communicate changes to field staff. City employees will be informed and re-trained, if necessary, when any changes are made to either the federal or state reimbursement rates governing mileage or per diem. Monitoring for changes will be the responsibility of the Chief Procurement Officer (CPO), but will be verified independently by the Finance Director or a designated alternate.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Chief Procurement Officer, Finance Director or designee; City Manager

TIMELINE FOR CORRECTIVE ACTION: Immediately

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION V – COMPONENT UNIT FINDINGS

A. FINANCIAL STATEMENT FINDINGS

None Noted

B. SECTION 12-6-5 NMSA 1978 FINDINGS

None Noted

C. FEDERAL AWARD FINDINGS

FA 2017-001 – Internal Controls over Eligibility and Special Test and Provisions – Housing Voucher Cluster – Significant Deficiency

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development
Title: Housing Voucher Cluster
CFDA Numbers: 14.871 and 14.879
Award Year: 2016-17

CONDITION: The Authority's controls over eligibility and special tests and provisions were not operating effectively in the following instances:

- In 5 out of 40 files tested, there was no signature to document review of the Authority's rent reasonableness calculation.
- In 1 out of 40 files tested, there was no signature to document the review of the tenant's application by Authority personnel.
- In 2 out of 40 files tested, there was no documentation retained in the tenant file to document that non-major violations of HQS violations were cleared within the required time.
- In 2 out of 40 files tested, there was no documentation retained in the tenant file to document the rent reasonableness calculation performed.
- In 1 out of 40 files tested, there was no completed application retained within the tenant file.

QUESTIONED COSTS: None

CRITERIA: Per 2 CFR 200.303(a), an entity must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the entity is managing the Federal awards in compliance with statutes, regulations, and the terms and conditions of the award. 24 CFR 5.212 and 5.230 requires that the Authority devise their own application forms during the tenant application process. 24 CFR 982.158(f)(7) requires that the PHA maintain records to document the basis for the determination that rent to

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

**SECTION V. COMPONENT UNIT FINDINGS - FEDERAL AWARD FINDINGS -
CONTINUED**

**FA 2017-001 – Internal Controls over Eligibility and Special Test and Provisions
– Housing Voucher Cluster – Significant Deficiency - CONTINUED**

owner is a reasonable rent. Per the Authority's Administrative Plan, the Authority is responsible for the review of applications from interested applicants to determine whether they are eligible for the program. The monitoring aspect of proper internal control requires that evidence of such review should be documented.

EFFECT: Without internal controls operating effectively, it is possible that the Authority would be at risk to be out of compliance with eligibility and special tests and provisions compliance requirements of the program. The Authority cannot effectively manage its federal program with controls that do not operate effectively.

CAUSE: Conflicting guidance was provided to Authority staff from outside sources regarding the need for signatures on documents in tenant files.

RECOMMENDATION: We recommend that Authority staff receive consistent training over the policies and procedures of the program, including review of documentation and document retention in tenant files. We also recommend that the Authority review all current files and document the current review of those documents with a signature if the prior review was not documented.

MANAGEMENT RESPONSE: The Truth or Consequences Housing Authority will continually strive to perform at the highest standards for responsible stewardship of taxpayer funding for all the programs that it manages. Planned staffing changes have availed the Housing Authority the opportunity to send the next HCV Program manager to HCV program certification training prior to taking over the program in the upcoming months. This individual has completed the initial certification training and within the next 12 months, this individual will complete further HCV program training with ongoing refresher courses in the future. Additionally, the Housing Authority will implement in house training to other support staff on a regular basis regarding complete and thorough review of intake documentation and verification e.g. applications. The Housing Authority will implement a thorough review of all current HCV files and document the review of each file within the next six (6) months, to be completed by upcoming fiscal year end.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SECTION VI - STATUS OF PRIOR YEAR FINDINGS

Description	Status
<u>Financial Statement Findings</u>	
FS 2011-001 Internal Control over Financial Reporting (Significant Deficiency)	Resolved
FS 2012-003 Capital Assets (Material Weakness)	Resolved
FS 2016-001 Controls over Travel and Per Diem Disbursements (Other Matter)	Repeated/Modified
FS 2016-002 Public Employee Retirement Board Reporting (Other Matter)	Repeated/Modified
FS 2016-003 Financial Close and Reporting Deficiencies (Material Weakness)	Resolved
FS 2016-004 Late Audit Report	Resolved
FS 2016-005 Procurement (Other Matter)	Resolved
FS 2016-006 Impact Fees (Other Matter)	Resolved
<u>Component Unit Findings</u>	
2014-002 Section 8 Housing Vouchers (Other Matter)	Resolved
2015-001 Payment of Payroll Liabilities (Other Matter)	Resolved
2015-002 PERA Board Reporting (Other Matter)	Resolved
2015-003 Rural Rental Housing Loans (Other Matter)	Resolved

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
EXIT CONFERENCE
Year Ended June 30, 2017**

The contents of this report were discussed in the exit conference held on December 13, 2017, with the following in attendance:

Representing the City of Truth or Consequences:

Steve Green	Mayor
Juan Fuentes	City Manager
Melissa Torres	Finance Director
Gary Gaylord	Accountant

Representing Pattillo, Brown & Hill:

Chris Garner	CPA
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The financial statements were prepared with the assistance of Pattillo, Brown & Hill, LLP from the books and records of the City of Truth or Consequences.