

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**



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, 2018

<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.....	Paul Baca
Interim City Manager.....	Renee Cantin
Finance Director.....	Melissa Torres
City Clerk	Renee Cantin
Municipal Judge	Judge B. Sanders

HOUSING AUTHORITY

Chairman	Greg D'Amour
Vice Chairman	LeeAnn Tooley
Commissioner.....	Daniel Mena
Commissioner	Earl Greer
Commissioner	Chris O'Rourke
Executive Director	Steven Rice
Senior Finance Specialist.....	Teresa Castaneda
Section 8 Program Manager(Retired June 30, 2018).....	Jessie Anglin

BASIC FINANCIAL STATEMENT



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 comparison for the general fund of the City of Truth or Consequences (the "City") as of and for the year ended June 30, 2018, 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

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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, 2018, and the respective changes in financial position, and where applicable, cash flows, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, Schedule of City Contributions, Schedule of the City's Proportionate Share of the Net OPEB Liability, and Schedule of City OPEB Contributions* on pages 61-65 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 14, 2018 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, L.L.P.
Albuquerque, New Mexico
December 14, 2018

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash, investments and cash equivalents	\$ 2,704,281	4,088,161	6,792,442	814,417
Investments	692,977	3,402,723	4,095,700	349,319
Receivables:				
Property taxes	24,631	-	24,631	-
Other taxes	1,058,033	-	1,058,033	-
Charges for services, net	-	638,444	638,444	-
Due from other governments	8,782	355,534	364,316	4,200
Notes receivable	-	-	-	322,960
Prepaid expenses	-	-	-	1,796
Due from tenants	-	-	-	7,497
Inventory	265,455	703,053	968,508	4,477
Total current assets	4,754,159	9,187,915	13,942,074	1,504,666
Noncurrent assets				
Restricted cash and cash equivalents	524,795	440,540	965,335	206,100
Capital assets	20,328,154	33,961,757	54,289,911	8,939,919
Less: Accumulated depreciation	(9,970,389)	(12,102,949)	(22,073,338)	(5,721,191)
Total noncurrent assets	10,882,560	22,299,348	33,181,908	3,424,828
Total assets	15,636,719	31,487,263	47,123,982	4,929,494
DEFERRED OUTFLOWS				
Deferred Outflows - Pension	1,109,224	301,371	1,410,595	367,303
Deferred Outflows - OPEB	48,634	22,029	70,663	12,645
Total deferred outflows	1,157,858	323,400	1,481,258	379,948

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities				
Accounts payable	232,910	740,480	973,390	21,796
Accrued payroll expenses	12,704	6,634	19,338	75,602
Accrued interest	13,399	13,399	26,798	-
Tenant deposit	-	-	-	32,188
Customer deposits	-	234,919	234,919	-
FSS deposits	-	-	-	68,619
Other liabilities	-	-	-	-
Due within one year				
Bonds, notes and loans payable	253,917	964,227	1,218,144	40,004
Compensated absences	50,264	25,363	75,627	23,158
Total current liabilities	<u>563,194</u>	<u>1,985,022</u>	<u>2,548,216</u>	<u>261,367</u>
Due in more than one year				
Bonds, notes and loans payable	3,075,728	3,863,412	6,939,140	772,133
Compensated absences	100,528	50,726	151,254	-
Accrued landfill closure costs	-	868,192	868,192	-
Net Pension Liability	4,234,253	1,245,237	5,479,490	1,225,686
Net OPEB Liability	2,444,333	1,107,140	3,551,473	650,748
Total noncurrent liabilities	<u>9,854,842</u>	<u>7,134,707</u>	<u>16,989,549</u>	<u>2,648,567</u>
Total liabilities	<u>10,418,036</u>	<u>9,119,729</u>	<u>19,537,765</u>	<u>2,909,934</u>
DEFERRED INFLOWS				
Deferred Inflows - Pension	689,742	130,536	820,278	138,587
Deferred Inflows - OPEB	556,325	251,982	808,307	148,106
Total deferred inflows	<u>1,246,067</u>	<u>382,518</u>	<u>1,628,585</u>	<u>286,693</u>
NET POSITION				
Net investment in capital assets	7,028,120	17,031,169	24,059,289	2,406,591
Restricted for				
Special projects	1,517,253	-	1,517,253	-
Debt service	1,298,558	964,227	2,262,785	-
Capital outlay	493,012	-	493,012	-
Housing assistance payments	-	-	-	37,342
Subsequent year's expenditures	822,257	-	822,257	-
Unrestricted (Deficit)	(6,028,726)	4,313,020	(1,715,706)	(331,118)
Total net position	<u>\$ 5,130,474</u>	<u>22,308,416</u>	<u>27,438,890</u>	<u>2,112,815</u>

See Notes to Financial Statements.

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STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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	\$ 2,766,478	185,874	1,101,443	23,380	(1,455,781)	-	(1,455,781)	-
Public safety	2,838,801	77,181	317,302	-	(2,444,318)	-	(2,444,318)	-
Public works	1,393,244	-	74,124	-	(1,319,120)	-	(1,319,120)	-
Culture and recreation	956,822	7,940	28,243	-	(920,639)	-	(920,639)	-
Health and welfare	285,347	-	-	-	(285,347)	-	(285,347)	-
Capital Outlay	-	-	-	-	-	-	-	-
Interest on long-term debt	142,148	-	-	-	(142,148)	-	(142,148)	-
Total governmental activities	8,382,840	270,995	1,521,112	23,380	(6,567,353)	-	(6,567,353)	-
Business-Type Activities								
Joint utility office	323,817	72,203	-	-	-	(251,614)	(251,614)	-
Electric	4,836,967	6,288,888	33,685	-	-	1,485,606	1,485,606	-
Water	617,237	920,675	1,223,790	-	-	1,527,228	1,527,228	-
WWTP	857,091	963,130	360,254	106,515	-	572,808	572,808	-
Airport	327,176	131,069	405,202	761,150	-	970,245	970,245	-
Solid Waste	1,274,552	1,640,004	-	-	-	365,452	365,452	-
Impact Fees	-	3,050	-	-	-	3,050	3,050	-
Cemetery	10,828	15,440	-	-	-	4,612	4,612	-
Golf Course	173,821	6,552	-	-	-	(167,269)	(167,269)	-
Total business-type activities	8,421,489	10,041,011	2,022,931	867,665	-	4,510,118	4,510,118	-
Total primary government	\$ 16,804,329	10,312,006	3,544,043	891,045	(6,567,353)	4,510,118	(2,057,235)	-
Component Unit								
Housing Authority	\$ 1,963,102	540,433	1,422,955	51,452	-	-	-	51,738
General revenues and transfers								
Taxes								
Property taxes					\$ 192,179	-	192,179	-
Gross receipts tax					3,432,978	673,813	4,106,791	-
Gasoline and motor vehicle taxes					62,258	-	62,258	-
Other taxes					337,013	-	337,013	-
Miscellaneous revenue					98,405	77,422	175,827	20,194
Transfers					1,293,582	(1,293,582)	-	-
Unrestricted investment earnings					12,642	34,099	46,741	(85,081)
Gain (loss) on disposition of assets					-	-	-	(9,569)
Total general revenues and transfers					5,429,057	(508,248)	4,920,809	(74,456)
Change in net position					(1,138,296)	4,001,870	2,863,574	(22,718)
Net Position - beginning as previously stated					9,218,560	19,642,627	28,861,187	2,908,515
Prior period restatements (Note 16)					(2,949,790)	(1,336,081)	(4,285,871)	(772,982)
Net Position - beginning as restated					<u>6,268,770</u>	<u>18,306,546</u>	<u>24,575,316</u>	<u>2,135,533</u>
Net position, ending					\$ 5,130,474	22,308,416	27,438,890	2,112,815

See Notes to Financial Statements.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General Fund 100	Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, investments and cash equivalents	\$ 828,250	122,016	1,683,402	2,633,668
Restricted cash and cash equivalents	-	524,795	-	524,795
Investments	101,938	591,039	-	692,977
Receivables:				
Property taxes	24,631	-	-	24,631
Other taxes	653,971	60,708	343,354	1,058,033
Due from other governments	-	-	-	-
Miscellaneous receivables	-	-	8,782	8,782
Inventory	182,567	-	82,888	265,455
Total assets	\$ 1,791,357	1,298,558	2,118,426	5,208,341
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 207,636	-	25,274	232,910
Accrued payroll expenses	12,704	-	-	12,704
Due to Other Funds	-	-	-	-
Total liabilities	220,340	-	25,274	245,614
DEFERRED INFLOWS				
Property taxes	33,670	-	-	33,670
Total deferred inflows	33,670	-	-	33,670
FUND BALANCES				
Nonspendable:				
Inventory	181,486	-	82,887	264,373
Restricted to:				
Public safety	-	-	176,913	176,913
Culture and recreation	-	-	321,484	321,484
Transportation and roads	-	-	469,939	469,939
Fire protection	-	-	486,642	486,642
Veteran's Wall	-	-	62,275	62,275
Debt service expenditures	-	1,298,558	-	1,298,558
Capital projects	-	-	493,012	493,012
Committed to:				
Subsequent year's expenditures	822,257	-	-	822,257
Unassigned	533,604	-	-	533,604
Total fund balances	1,537,347	1,298,558	2,093,152	4,929,057
Total liabilities, deferred inflows and fund balances	\$ 1,791,357	1,298,558	2,118,426	5,208,341

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, 2018

Total Fund Balance Governmental Funds	Governmental
Governmental Funds Balance Sheet	Activities
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 4,929,057
Residual balance of Internal Service Funds are included within the governmental activities but not reported within the governmental funds.	70,613
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,357,765
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.	33,670
Defined benefit pension plan and other post employment benefit deferred outflows are not financial resources and, therefore, are not reported in the funds.	1,157,858
Some revenues will not be available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the governmental funds.	(1,246,067)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest	(13,399)
Compensated absences	(150,792)
Bonds and notes payable	(3,329,645)
Net Pension liability	(4,234,253)
Net OPEB Liability	(2,444,333)
Total long-term and other liabilities	(10,172,422)
Net position of governmental activities (Statement of Net Position)	\$ 5,130,474

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, 2018

	General Fund 100	Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 177,821	\$ -	\$ -	\$ 177,821
Gross receipts	2,825,182	364,246	243,550	3,432,978
Gasoline and motor vehicle	-	-	62,258	62,258
Other	63,978	-	273,035	337,013
Intergovernmental				
Federal capital grants	-	-	-	-
State capital grants	-	23,380	-	23,380
State operating grants	312,245	-	1,208,867	1,521,112
Charges for services	51,106	-	145,373	196,479
Licenses and fees	74,516	-	-	74,516
Investment income	1,463	10,235	944	12,642
Miscellaneous	95,455	-	2,950	98,405
Total revenues	3,601,766	397,861	1,936,977	5,936,604
Expenditures				
Current				
General government	1,716,480	459	179,255	1,896,194
Public safety	1,799,968	-	145,507	1,945,475
Public works	768,566	-	250,950	1,019,516
Culture and recreation	378,540	-	321,621	700,161
Health and welfare	208,805	-	-	208,805
Capital outlay	-	-	710,193	710,193
Debt service				
Principal	-	246,699	-	246,699
Interest	-	140,454	-	140,454
Total expenditures	4,872,359	387,612	1,607,526	6,867,497
Excess (deficiency) of revenues over (under) expenditures before other financings sources (uses)	(1,270,593)	10,249	329,451	(930,893)
Other Financing Sources (Uses)				
Loan proceeds	-	-	-	-
Transfers, in	1,893,000	115,488	744,500	2,752,988
Transfers, out	(661,000)	(217,365)	(581,041)	(1,459,406)
<i>Total other financing sources (uses)</i>	<i>1,232,000</i>	<i>(101,877)</i>	<i>163,459</i>	<i>1,293,582</i>
Net change in fund balances	(38,593)	(91,628)	492,910	362,689
Fund balances, beginning of year	1,575,940	1,390,186	1,600,242	4,566,368
Fund balances, end of year	\$ 1,537,347	\$ 1,298,558	\$ 2,093,152	\$ 4,929,057

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, 2018**

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

\$ 362,689

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

Change in net position of internal service funds (671)

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	476,600	
Depreciation Expense	(433,342)	
Transfers, net	(1,122,770)	
Dispositions	(325,480)	
		<u>(1,404,992)</u>

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 14,358

Governmental funds report City pension and other pension benefit (OPEB) contributions as expenditures. However, in the Statement of Net Activities, the cost of pension benefits and other postemployment benefits earned net of employee contributions is reported as pension and OPEB expense:

Pension expense	(448,180)
OPEB expense	(2,234)

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	246,519
Change in compensated absences	95,909
Change in accrued interest on long-term debt	(1,694)

Change in net position in governmental activities

\$ (1,138,296)

See Notes to Financial Statements.

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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, 2018

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 169,500	173,500	181,570	8,070
Gross Receipts	3,040,000	3,040,000	2,826,923	(213,077)
Other	55,000	66,000	50,357	(15,643)
Intergovernmental income:				
State operating grant	272,738	288,738	288,552	(186)
Charges for services	47,700	47,700	51,106	3,406
Licenses and fees	39,800	39,800	59,560	19,760
Fines and forfeits	19,000	23,000	10,674	(12,326)
Investment earnings	6,000	6,000	1,463	(4,537)
Miscellaneous	57,450	118,500	95,455	(23,045)
Total revenues	3,707,188	3,803,238	3,565,660	(237,578)
Expenditures				
Current				
General government	1,795,615	1,815,615	1,764,923	50,692
Public safety	1,982,618	1,982,618	1,815,875	166,743
Public works	941,008	954,838	800,628	154,210
Culture and recreation	491,160	491,160	403,690	87,470
Health and welfare	230,865	230,865	209,510	21,355
Total expenditures	5,441,266	5,475,096	4,994,626	480,470
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)				
	(1,734,078)	(1,671,858)	(1,428,966)	242,892
Other Financing Sources (Uses)				
Transfers, in	1,790,000	1,893,000	1,893,000	-
Transfers, out	(646,000)	(733,000)	(661,000)	72,000
Total other financing sources (uses)	1,144,000	1,160,000	1,232,000	72,000
Net change in fund balances	(590,078)	(511,858)	(196,966)	314,892
Net change in fund balance (non-GAAP budgetary basis)			(196,966)	
Adjustments to revenues			36,106	
Adjustments to expenditures			122,267	
Net change in fund balance (GAAP)			\$ (38,593)	

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, 2018

ASSETS	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
Current Assets				
Cash and cash equivalents	\$ 705,508	1,136,363	484,011	634,372
Investments	1,031,380	1,404,747	272,570	103,141
Receivables				
Charges for services	-	327,229	63,031	85,613
Due from other government	-	-	255,561	29,121
Miscellaneous receivables	-	-	-	-
Due from other funds	36,970	-	-	-
Inventory	-	373,625	165,609	60,910
Total current assets	1,773,858	3,241,964	1,240,782	913,157
Noncurrent Assets				
Restricted cash and cash equivalents	-	179,027	153,000	-
Restricted investment	-	-	-	-
Capital assets	368,773	4,869,376	4,903,763	12,472,433
Less accumulated depreciation	(195,322)	(2,740,084)	(1,994,671)	(3,399,360)
Total noncurrent assets	173,451	2,308,319	3,062,092	9,073,073
Total assets	1,947,309	5,550,283	4,302,874	9,986,230
DEFERRED OUTFLOWS - PENSION RELATED	39,532	70,611	44,730	50,225
DEFERRED OUTFLOWS - OPEB RELATED	2,890	5,161	3,270	3,671
Total Deferred Outflows	42,422	75,772	48,000	53,896
LIABILITIES				
Current Liabilities				
Accounts payable	3,185	365,018	266,378	41,240
Accrued payroll expenses	-	5,986	-	-
Accrued compensated absences	3,695	9,457	2,451	3,375
Customer deposits	1,450	219,030	13,265	1,114
Accrued interest	-	-	13,399	-
Due to other funds	-	-	655	20,346
Current portion of long-term debt	-	93,322	174,743	73,231
Total current liabilities	8,330	692,813	470,891	139,306
Non-Current Liabilities				
Accrued compensated absences	7,391	18,913	4,902	6,751
Accrued landfill closure costs	-	-	-	-
Bonds, notes and loans	-	526,286	788,250	2,381,807
Net pension liability	163,343	291,758	184,821	207,525
Net OPEB Liability	145,228	259,402	164,324	184,510
Total non-current liabilities	315,962	1,096,359	1,142,297	2,780,593
Total liabilities	324,292	1,789,172	1,613,188	2,919,899
DEFERRED INFLOWS - PENSION RELATED	17,123	30,585	19,374	21,754
DEFERRED INFLOWS - OPEB RELATED	33,054	59,039	37,400	41,994
Total deferred inflows	50,177	89,624	56,774	63,748
NET POSITION				
Net investment in capital assets	173,451	1,509,684	1,946,099	6,618,035
Restricted for debt service	-	93,322	174,743	73,231
Unrestricted (Deficit)	1,441,811	2,144,253	560,070	365,213
Total net position	1,615,262	3,747,259	2,680,912	7,056,479
Total net position	\$ 1,615,262	3,747,259	2,680,912	7,056,479

See Notes to Financial Statements.

Airport Fund 509	Business Type Activities				Total	Governmental Activities Internal Service Fund 600
	Solid Waste Fund 505/507	Impact Fees 301	Other Enterprise Fund			
16,713	1,029,034	33,961	\$ 48,199	4,088,161	\$ 70,613	
-	490,133	100,752	-	3,402,723	-	
74,154	88,417	-	-	638,444	-	
55,938	-	-	-	340,620	-	
-	14,914	-	-	14,914	-	
-	23,160	-	-	60,130	-	
67,548	35,361	-	-	703,053	-	
<u>214,353</u>	<u>1,681,019</u>	<u>134,713</u>	<u>48,199</u>	<u>9,248,045</u>	<u>70,613</u>	
-	-	108,513	-	440,540	-	
-	-	-	-	-	-	
5,922,066	4,164,322	-	1,261,024	33,961,757	-	
(1,354,105)	(1,909,157)	-	(510,250)	(12,102,949)	-	
<u>4,567,961</u>	<u>2,255,165</u>	<u>108,513</u>	<u>750,774</u>	<u>22,299,348</u>	<u>-</u>	
<u>4,782,314</u>	<u>3,936,184</u>	<u>243,226</u>	<u>798,973</u>	<u>31,547,393</u>	<u>70,613</u>	
15,843	80,430	-	-	301,371	-	
1,158	5,879	-	-	22,029	-	
<u>17,001</u>	<u>86,309</u>	<u>-</u>	<u>-</u>	<u>323,400</u>	<u>-</u>	
-	52,012	-	12,647	740,480	-	
-	648	-	-	6,634	-	
403	5,982	-	-	25,363	-	
-	60	-	-	234,919	-	
-	-	-	-	13,399	-	
2,802	34,913	-	1,414	60,130	-	
-	622,931	-	-	964,227	-	
<u>3,205</u>	<u>716,546</u>	<u>-</u>	<u>14,061</u>	<u>2,045,152</u>	<u>-</u>	
805	11,964	-	-	50,726	-	
-	868,192	-	-	868,192	-	
-	167,069	-	-	3,863,412	-	
65,461	332,329	-	-	1,245,237	-	
58,201	295,475	-	-	1,107,140	-	
<u>124,467</u>	<u>1,675,029</u>	<u>-</u>	<u>-</u>	<u>7,134,707</u>	<u>-</u>	
<u>127,672</u>	<u>2,391,575</u>	<u>-</u>	<u>14,061</u>	<u>9,179,859</u>	<u>-</u>	
6,862	34,838	-	-	130,536	-	
13,246	67,249	-	-	251,982	-	
<u>20,108</u>	<u>102,087</u>	<u>-</u>	<u>-</u>	<u>382,518</u>	<u>-</u>	
4,567,961	1,465,165	-	750,774	17,031,169	-	
-	622,931	-	-	964,227	-	
83,574	(559,265)	243,226	34,138	4,313,020	70,613	
<u>4,651,535</u>	<u>1,528,831</u>	<u>243,226</u>	<u>784,912</u>	<u>22,308,416</u>	<u>70,613</u>	
<u>4,651,535</u>	<u>1,528,831</u>	<u>243,226</u>	<u>\$ 784,912</u>	<u>\$ 22,308,416</u>	<u>\$ 70,613</u>	

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
Operating Revenues				
Charges for Services	\$ 52,203	6,308,888	920,675	963,130
Total operating revenues	<u>52,203</u>	<u>6,308,888</u>	<u>920,675</u>	<u>963,130</u>
Operating Expenses				
General operating	72,937	4,308,721	68,840	474,683
Personnel services	237,688	263,413	306,325	189,749
Depreciation	9,829	168,433	85,820	83,132
Utilities	3,363	69,093	92,217	109,527
Total operating expenses	<u>323,817</u>	<u>4,809,660</u>	<u>553,202</u>	<u>857,091</u>
Operation income (loss)	<u>(271,614)</u>	<u>1,499,228</u>	<u>367,473</u>	<u>106,039</u>
Non-Operating Revenues (Expenses)				
Interest expense	-	(27,307)	(64,035)	-
Investment earnings	8,236	14,710	3,841	627
Gross receipts tax	-	430,133	39,667	44,815
Miscellaneous income	-	43,725	-	16,194
Grant income	-	33,685	1,223,790	360,254
Total non-operating revenue (expenses)	<u>8,236</u>	<u>494,946</u>	<u>1,203,263</u>	<u>421,890</u>
Income (loss) before contributions and transfers	(263,378)	1,994,174	1,570,736	527,929
Capital contributions from governmental activities	-	-	-	-
Transfers, in	485,885	333,344	1,956,345	2,679,534
Transfers, out	-	(2,270,275)	(2,718,799)	(1,886,869)
Change in net position	<u>222,507</u>	<u>57,243</u>	<u>808,282</u>	<u>1,320,594</u>
Net Position, beginning as previously stated	1,568,014	4,003,059	2,070,934	5,958,549
Prior period restatements	(175,259)	(313,043)	(198,304)	(222,664)
Net Position, beginning as restated	<u>1,392,755</u>	<u>3,690,016</u>	<u>1,872,630</u>	<u>5,735,885</u>
Net position, end of year	<u>\$ 1,615,262</u>	<u>3,747,259</u>	<u>2,680,912</u>	<u>7,056,479</u>

See Notes to Financial Statements.

Airport Fund 509	Solid Waste Fund 505/507	Business Type Activities		Total	Governmental Activities Internal Service Fund 600
		Impact Fees 301	Other Enterprise Fund		
131,069	1,640,004	3,050	21,992	\$ 10,041,011	\$ 13,258
131,069	1,640,004	3,050	21,992	10,041,011	13,258
116,427	699,212	-	164,369	5,905,189	13,929
89,991	446,059	-	-	1,533,225	-
107,706	86,422	-	10,171	551,513	-
13,052	8,494	-	10,109	305,855	-
327,176	1,240,187	-	184,649	8,295,782	13,929
(196,107)	399,817	3,050	(162,657)	1,745,229	(671)
-	(34,365)	-	-	(125,707)	-
30	5,670	926	59	34,099	-
-	159,198	-	-	673,813	-
-	-	-	17,503	77,422	-
405,202	-	-	-	2,022,931	-
405,232	130,503	926	17,562	2,682,558	-
209,125	530,320	3,976	(145,095)	4,427,787	(671)
761,150	106,515	-	-	867,665	-
665,172	515,850	-	141,340	6,777,470	-
(460,172)	(297,831)	(272,000)	(165,106)	(8,071,052)	-
1,175,275	854,854	(268,024)	(168,861)	4,001,870	(671)
3,546,496	1,030,552	511,250	953,773	19,642,627	71,284
(70,236)	(356,575)	-	-	(1,336,081)	-
3,476,260	673,977	511,250	953,773	18,306,546	71,284
4,651,535	1,528,831	243,226	784,912	\$ 22,308,416	\$ 70,613

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2018

	Joint Utility Office	Electric	Water	WWTP
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 118,299	6,630,752	1,156,567	1,108,044
Cash paid for vendors and employees	(400,410)	(4,943,619)	(768,956)	(1,011,118)
Net cash provided (used) by operating activities	(282,111)	1,687,133	387,611	96,926
Cash flows from noncapital financing activities				
Government contributions	-	33,685	1,223,790	360,254
Gross receipts taxes	-	430,133	39,667	44,815
Miscellaneous income	-	43,725	-	16,194
Landfill closure costs	-	-	-	-
Transfers	485,885	(1,936,931)	(762,454)	792,665
Net cash provided (used) by noncapital financing activities	485,885	(1,429,388)	501,003	1,213,928
Cash Flows from Investing Activities				
Purchases of investments	(5,141)	(11,840)	(952)	(514)
Interest on investments	8,236	14,710	3,841	627
Net cash (used) provided by investing activities	3,095	2,870	2,889	113
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(183,280)	(206,958)	237,389	(2,663,810)
Capital contributions from governmental activities	-	-	-	-
Interest paid	-	(27,307)	(64,035)	-
Proceeds from issuance of long-term debt	-	-	-	1,259,621
Principal payments on bonds, loans and notes payable	-	(89,881)	(1,297,766)	(72,583)
Net cash provided (used) by capital and related financing activities	(183,280)	(324,146)	(1,124,412)	(1,476,772)
Net increase (decrease) in cash and cash equivalents	23,589	(63,531)	(232,909)	(165,805)
Cash and cash equivalents, beginning of year	681,919	1,378,921	869,920	800,177
Cash and cash equivalents, end of year	\$ 705,508	1,315,390	637,011	634,372
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (271,614)	1,499,228	367,473	106,039
Noncash items				
Depreciation expense	9,829	168,433	85,820	83,132
PERA pension plan expense	10,631	(140,549)	29,162	(82,924)
RHC OPEB plan expense	133	237	150	169
Adjustments to operating income (loss) to net cash provided by operating activities:				
Loss on disposal of capital assets	-	-	-	-
Change in assets and liabilities:				
Accounts receivable	-	(18,284)	(259,388)	(735)
Inventory	5,217	24,634	6,838	30,808
Accounts payable	1,380	129,577	161,027	(40,243)
Accrued payroll expenses	-	5,986	-	-
Accrued compensated absences	(717)	(2,648)	(4,936)	(19,666)
Due to/from other funds	(36,970)	-	655	20,346
Meter deposits	-	20,519	810	-
Net cash provided (used) by operating activities	\$ (282,111)	1,687,133	387,611	96,926

See Notes to Financial Statements.

Airport Fund	Solid Waste Fund	Impact Fees	Business Type Activities		Total	Governmental Activities	
			Other Enterprise Fund			Internal Service Fund	
157,443	1,808,184	3,050	21,992		11,004,331	13,258	
(317,940)	(1,531,144)	-	(162,326)		(9,135,513)	(13,929)	
(160,497)	277,040	3,050	(140,334)		1,868,818	(671)	
405,202	-	-	-		2,022,931	-	
-	159,198	-	-		673,813	-	
-	-	-	17,562		77,481	-	
-	(52,842)	-	-		(52,842)	-	
205,000	218,019	(272,000)	141,340		(1,128,476)	-	
610,202	324,375	(272,000)	158,902		1,592,907	-	
-	(5,238)	(752)	-		(24,437)	-	
30	5,670	926	-		34,040	-	
30	432	174	-		9,603	-	
(1,230,322)	(544,952)	-	(11,340)		(4,603,273)	-	
761,150	106,515	-	-		867,665	-	
-	(34,365)	-	-		(125,707)	-	
-	-	-	-		1,259,621	-	
-	(80,000)	-	-		(1,540,230)	-	
(469,172)	(552,802)	-	(11,340)		(4,141,924)	-	
(19,437)	49,045	(268,776)	7,228		(670,596)	(671)	
36,150	979,989	411,250	40,971		5,199,297	71,284	
16,713	1,029,034	142,474	48,199		4,528,701	70,613	
(196,107)	399,817	3,050	(162,657)		1,745,229	(671)	
107,706	86,422	-	10,171		551,513	-	
(7,986)	(105,544)	-	-		(297,210)	-	
53	270	-	-		1,012	-	
-	-	-	-		-	-	
(52,168)	(65,347)	-	-		(395,922)	-	
-	(9,158)	-	-		58,339	-	
(14,614)	16,888	-	10,738		264,753	-	
-	(52,194)	-	-		(46,208)	-	
(183)	(5,867)	-	-		(34,017)	-	
2,802	11,753	-	1,414		-	-	
-	-	-	-		21,329	-	
(160,497)	277,040	3,050	(140,334)		1,868,818	(671)	

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and fund financial statements

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.

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.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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.

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

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

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 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.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Sierra County and remitted monthly to the City.

The City estimates the allowance for uncollectible accounts based 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 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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

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 (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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

Long-Term Obligations. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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 expensed 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.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments 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.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

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.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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

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, 2018, the City did not over expend the budget in any fund.

NOTE 3. DEPOSITS AND INVESTMENTS

State statutes authorize the investment of the City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government Obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2018, the City had the following deposits and investments:

Demand deposits	\$	6,900,954
Certificates of deposit		2,770,117
State Treasurer's LGIP		1,325,853
Cash with fiscal Agent		<u>856,823</u>
Total	\$	<u>11,853,477</u>
Governmental funds	\$	3,922,053
Proprietary funds		<u>7,931,424</u>
Total	\$	<u>11,853,477</u>

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, 2018. 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*
New Mexico LGIP	100 days WAM(F)	<u>1,325,853</u>	AAAM
		\$ <u>1,325,853</u>	

*Based off Moody's rating

In addition to the investment in LGIP above there are \$2,770,117 of certificates of deposit that are greater than 90 days and therefore are considered investments in the Statement of Net Position.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018 the LGIP WAM (R) was 50 days and WAM (F) was 100 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.

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 accounts at an insured depository institution, including all non-interest bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for demand deposit accounts and \$250,000 for time and savings accounts. At June 30, 2018, \$177,866 of the City’s bank balances of \$10,162,359, was exposed to custodial credit risk. The collateral pledged is listed in the table of contents of this report and as listed below.

	First Saving Bank
Deposits in Bank	
Bank Deposits	\$ 7,392,242
Certificates of Deposit	2,770,117
Total on Deposit	<u>10,162,359</u>
Less: FDIC insurance	(250,000)
Total uninsured public funds	<u>\$ 9,912,359</u>
Pledged Collateral Required:	
50% on deposits	\$ 4,956,179
Pledged Collateral at June 30, 2018	<u>9,734,493</u>
Excess (Deficiency)	<u>\$ 4,778,314</u>

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). At June 30, 2018, \$633,187 of the Housing Authority’s bank balance of \$1,391,186 was exposed to custodial credit risk. Although the \$633,187 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, 2018.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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 represent 100%, of the investment portfolio. The City’s policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-63, 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:

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, 2018:

Investment in	Investment Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
New Mexico LGIP	\$ 1,325,853	-	-	1,325,853
Total	\$ 1,325,853	-	-	1,325,853

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
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June 30, 2018**

NOTE 4. RECEIVABLES

Governmental receivables as of June 30, 2018 are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 24,631	-	-	24,631
Other taxes:				
Gross receipts taxes	596,974	60,708	-	657,682
Franchise and lodgers taxes	13,620	-	19,789	33,409
Gasoline taxes	4,282	-	-	4,282
Grants receivables	39,095	-	323,565	362,660
Other receivables	-	-	8,782	8,782
Total	\$ 678,602	60,708	352,136	1,091,446

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. Unavailable revenue related to grant receivables was \$15,402 for the year ended June 30, 2018. 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 \$18,268 for the year ended June 30, 2018.

Proprietary fund receivables as of June 30, 2018 are as follows:

	<u>Major Enterprise Funds</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Charges for services	\$ 993,863	-	993,863
Less: Allowance for uncollectible accounts	(355,419)	-	(355,419)
Other Receivables	355,354	-	355,354
Totals	\$ 993,978	-	993,978

Component Unit

As of June 30, 2018, the Housing Authority had the following receivables:

Tenant receivables	\$ 8,330
Allowance for doubtful accounts - tenants	(833)
Grants receivable	4,200
Notes receivable	322,960
Total	<u>\$ 334,657</u>

The Authority's notes receivable consist of three 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
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities	Balance June 30, 2017	Additions	Transfers	Deletions	Balance June 30, 2018
Non-Depreciable Assets					
Land	\$ 4,721,569	-	(1,259,871)	-	3,461,698
Construction in progress	898,435	568,855	-	(1,317,379)	146,911
Total non-depreciable assets	5,620,004	568,855	(1,259,871)	(1,317,379)	3,611,609
Depreciable Assets					
Buildings and improvements	8,753,139	499,388	-	-	9,259,527
Equipment	2,333,400	83,069	-	(41,743)	2,374,726
Infrastructure	2,045,118	524,616	-	-	2,569,735
Vehicles	2,656,222	118,051	29,022	(283,737)	2,519,558
Total depreciable assets	15,787,879	1,225,124	29,022	(325,480)	16,716,545
Accumulated Depreciation					
Building and improvements	(4,929,410)	(167,621)	-	-	(5,097,031)
Equipment	(1,904,216)	(103,368)	(41,743)	-	(2,049,327)
Infrastructure	(565,788)	(76,273)	-	-	(642,061)
Vehicles	(2,245,712)	(86,080)	149,822	-	(2,181,970)
Total Accumulated Depreciation	(9,645,126)	(433,342)	108,079	-	(9,970,389)
Governmental Capital Assets, net	\$ 11,762,757	1,360,637	(1,122,770)	(1,642,859)	10,357,765

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

Governmental Activities:	
General Government	\$ 142,405
Public safety	146,106
Public works	76,567
Public health and welfare	15,681
Culture and recreation	52,583
	<u>\$ 433,342</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance June 30, 2017	Additions	Transfer	Deletions	Balance June 30, 2018
Non-depreciable assets:					
Land	\$ 1,755,406	-	867,665	-	2,623,071
Construction in progress	5,206,075	3,060,938	-	(5,910,157)	2,356,856
Total non-depreciable assets	6,961,481	3,060,938	867,665	(5,910,157)	4,979,927
Depreciable assets:					
Building improvements	3,302,457	9,000	-	-	3,311,457
Utility plant	13,981,809	5,910,157	-	(1,392,375)	18,499,592
Equipment	3,754,545	513,371	-	(8,450)	4,259,466
Vehicles	2,971,911	61,328	(11,485)	(110,439)	2,911,315
Total depreciable assets	24,010,722	6,493,857	(11,485)	(1,511,264)	28,981,830
Accumulated depreciation:					
Building and improvements	(1,372,216)	(63,865)	(251)	-	(1,436,332)
Utility plant	(6,220,083)	(306,684)	(4,115)	1,390,611	(5,140,271)
Equipment	(3,380,786)	(82,030)	(987)	18	(3,463,785)
Vehicles	(2,079,806)	(98,934)	4,240	111,939	(2,062,561)
Total accumulated depreciation	(13,052,891)	(551,513)	1,113	1,502,568	(12,102,949)
Business-type activities capital assets, net	\$ 17,919,312	9,003,282	855,067	(5,918,853)	21,858,808

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

Business-Type Activities:	
Joint Utility Fund	\$ 9,829
Electric	168,433
Water	85,820
WWTP	83,132
Airport	107,706
Solid Waste	86,422
Golf Course Fund	9,447
Cemetery Fund	724
	<u>\$ 551,513</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 5. CAPITAL ASSETS (CONTINUED)

The following summarizes changes in capital assets activity for the Authority during fiscal year 2018.

Component Unit	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital assets not being depreciation:					
Land	\$ 637,536	-	-	-	637,536
Construction in progress	87,624	71,932	-	(3,472)	156,084
Total capital assets not being depreciated	725,160	71,932	-	(3,472)	793,620
Depreciable assets:					
Land improvements	608,006	20,264	-	3,472	631,742
Buildings and improvements	6,763,906	-	-	-	6,763,906
Dwelling equipment	315,495	5,503	(63,772)	-	257,226
Non-dwelling equipment	469,025	24,400	-	-	493,425
Total depreciable assets	8,156,432	50,167	(63,772)	3,472	8,146,299
Accumulated depreciation:					
Land improvements	552,459	(13,277)	-	-	565,736
Buildings and improvements	4,367,533	(98,578)	-	-	4,466,111
Dwelling equipment	292,209	(4,931)	54,203	-	242,937
Non-dwelling equipment	434,683	(11,724)	-	-	446,407
Total accumulated depreciation	5,646,884	(128,510)	54,203	-	5,721,191
Component unit capital assets, net	\$ 3,234,708	(6,411)	(9,569)	-	3,218,728

Depreciation expense for the year ended June 30, 2018 totaled \$128,510 for the Authority.

In the Financial Data Schedule, the Construction in Progress category contains \$139,764 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, 2018**

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers and advances consisted of the following as of June 30, 2018:

TRANSFERS

Governmental Funds	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 1,893,000	661,000
Corrections Fund	16,000	-
Lodgers Tax	-	55,000
Municipal Street	-	15,000
Recreation Fund	36,000	-
Municipal Pool	210,000	-
PD GRT	155,000	116,000
CI Gen	115,000	55,000
Golf Course Improvements	-	20,000
Emergency	2,500	-
CBDG	210,000	375,041
Pledge State	115,488	217,365
Debt Service	-	80,000
Business-Type Funds		
Joint Utility Office	485,885	-
Electric Fund	333,344	2,270,275
Water Fund	1,956,345	2,718,799
WWTP	2,679,534	1,886,869
Solid Waste Fund	515,850	297,831
Impact Fees	-	272,000
Golf Course	130,000	165,106
Cemetery	11,340	-
Municipal Airport	665,172	460,172
Net Transfers	\$ <u>9,530,458</u>	<u>9,530,458</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, 2018**

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, 2018 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, 2018 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, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance 6/30/2017	Additions	Retirements	Balance 6/30/2018	Due Within One Year
Police Department					
Building	\$ 127,319	-	(13,433)	113,886	13,593
Recreational Loan	1,784,591	-	(117,996)	1,666,595	122,224
Streets Loan	1,499,817	-	(93,275)	1,406,542	95,877
NMFA Fire Pumper	164,437	-	(21,815)	142,622	22,223
Total Notes Payable	3,576,164	-	(246,519)	3,329,645	253,917
Compensated Absences	246,01	183,725	(279,634)	150,792	50,264
Total Long-term debt	\$ 3,822,865	183,725	(526,153)	3,480,437	304,181

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.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

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

The annual requirements to amortize the governmental activities debt as of June 30, 2018, including interest payments, are as follows:

Year Ending June, 30	Principal	Interest	Admin Fees	Total Requirements
2019	\$ 253,917	133,291	404	387,612
2020	261,794	125,471	348	387,613
2021	270,620	116,707	291	387,618
2022	285,378	106,985	257	392,620
2023	290,519	96,904	193	387,616
2024-2028	1,505,847	308,142	245	1,814,234
2029-2030	461,570	27,549	-	489,119
	<u>\$ 3,329,645</u>	<u>915,049</u>	<u>1,738</u>	<u>4,246,432</u>

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 sick hours accrued are payable to employees of at least 5 years, and a maximum of 240 vacation hours are payable to all employees. Employees accrue hours based on the following schedule:

	Years of Service	Hours Per Pay Period	Working Days Per Year
Sick Leave:	0+	4.0 Hours	13 Days (104 Hours)
Annual Leave:	0 to 3 Years	4.0 Hours	13 Days (104 Hours)
	3 to 15 Years	6.0 Hours	20 Days (160 Hours)
	15+ Years	8.0 Hours	26 Days (208 Hours)

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities

	Balance 6/30/2017	Additions	Retirements	Balance 6/30/2018	Due Within One Year
Revenue Bonds					
Series 2012 Solid					
Waste Revenue	\$ 870,000	-	(80,000)	790,000	85,000
Total Revenue Bonds	870,000	-	(80,000)	790,000	85,000
Loans Payable					
Water Tank Loan	451,653	-	(108,657)	342,996	111,439
Elec Upgrade Loan	709,489	-	(89,881)	619,608	93,322
NMFA	180,537	-	(12,687)	167,850	12,713
NMFA	124,306	-	(8,287)	116,019	8,287
NMFA TorC 19 (15%)	169,182	-	(8,801)	160,381	8,915
NMFA TorC 19 (85%)	958,695	-	(49,870)	908,826	50,517
PER/Asset Mgmt Plan	52,953	-	(3,248)	49,705	3,248
Waste Water Project Design/Construction	65,383	-	(3,846)	61,537	3,846
Phase 2	69,597	-	(3,867)	65,730	3,867
NMED	33,158	-	(33,158)	-	-
NMED	155,294	-	(29,250)	126,044	30,128
USDA Debt	896,000	-	(15,000)	881,000	15,000
Cobank Debt	372,000	165,945	-	537,945	537,945
Total Loans Payable	4,238,247	165,945	(366,552)	4,037,641	879,227
Compensated					
Absences	110,106	105,071	(139,087)	76,090	25,363
Total Long-term debt	\$ 5,218,353	271,016	(585,639)	4,903,731	989,590

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, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

The annual requirements to amortize the revenue bonds as of June 30, 2018, including interest payments, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019 \$	85,000	31,205	116,205
2020	90,000	27,848	117,848
2021	95,000	24,293	119,293
2022	95,000	20,540	115,540
2023	100,000	16,788	116,788
2024-2027	325,000	25,873	350,873
Total \$	<u>790,000</u>	<u>146,547</u>	<u>936,547</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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, 2018, including interest payments, are as follows:

Year Ending June, 30	Principal	Interest	Admin Fees	Total Requirements
2019	\$ 879,241	87,970	2,407	969,618
2020	349,722	79,736	1,895	431,353
2021	359,661	71,004	1,366	432,031
2022	248,873	61,707	821	311,401
2023	221,885	54,697	559	277,141
2024-2028	712,425	198,316	285	911,026
2029-2033	635,254	121,946	-	757,200
2034-2038	120,580	64,843	-	185,423
2039-2043	121,000	52,041	-	173,041
2044-2048	136,000	37,753	-	173,753
2049-2053	152,000	21,779	-	173,779
2054-2058	101,000	4,634	-	105,634
	<u>\$ 4,037,641</u>	<u>856,426</u>	<u>7,333</u>	<u>4,901,400</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7. LONG-TERM DEBT (CONTINUED)

Component Unit

The following summarizes changes in long-term liability activity during fiscal year 2018:

	Balance 6/30/2017	Additions	Retirements	Balance 6/30/2018	Due Within One Year
USDA Loans Hacienda Orgullo #1	\$ 317,784	-	20,882	296,902	23,035
USDA Loans Hacienda Orgullo #2	99,002	-	6,545	92,457	7,204
USDA Loan Puesta Del Sol	431,455	-	8,677	422,778	9,765
Compensated absences	35,523	56,378	68,743	23,158	-
Total Long-term debt	\$ 7,248,287	56,378	104,847	835,295	40,004

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

Compensated absences decreased by \$12,365 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	Balance June 30, 2018
USDA Loan Hacienda Orgullo #1	12/19/1981	8/19/2030	1.00%	10.750%	\$ 312,140	\$ 296,902
USDA Loan Hacienda Orgullo #2	12/19/1981	10/19/2030	1.00%	9.000%	1,000,000	92,457
USDA Loan Puesta Del Sol	12/1/1994	3/1/2034	1.00%	11.875%	495,788	422,778
Total Loans						<u>\$ 812,137</u>

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Debt service requirements on long-term debt at June 30, 2018, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	47,138	66,716	113,854
2024-2028	275,390	255,427	530,817
2029-2033	274,846	100,780	375,626
2034	44,930	2,125	47,055
	<u>\$ 812,137</u>	<u>\$ 735,424</u>	<u>\$ 1,547,561</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
CITY OF TRUTH OR CONSEQUENCES
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June 30, 2018**

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
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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.

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT PLAN

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 PLAN (CONTINUED)

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

PERA Contribution Rates and Pension Factors as of July 1, 2017						
	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	
Coverage Plan						
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
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 PLANS 1 - 5						
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 PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	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						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	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%

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the City reported a liability of \$5,479,490 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. 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.

For PERA Fund Division Municipal General, at June 30, 2018, the City reported a liability of \$3,994,463 for its proportionate share of the net pension liability. At June 30, 2017, the City’s proportion was .2907% percent, which decreased 0.0047% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal General Pension expense of \$100,231. At June 30, 2018, the City 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	\$ 156,955	(204,585)
Changes in assumptions	184,204	(41,277)
Net difference between projected and actual earnings on pension plan investments	327,722	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	24,583	(172,871)
City’s contributions subsequent to the measurement date	<u>273,271</u>	<u>-</u>
Total	\$ <u>966,735</u>	<u>(418,733)</u>

\$273,271 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

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

outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	3,447
2020		324,490
2021		42,569
2022		(95,775)
2023		-
Thereafter		-

For PERA Fund Division Municipal Police, at June 30, 2018, the City reported a liability of \$1,485,027 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.2673% percent, which increased 0.0112% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Police pension expense of \$51,030. At June 30, 2018, the City reported PERA Fund Division Municipal Police 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	\$ 90,193	(277,462)
Changes in assumptions	88,354	(34,532)
Net difference between projected and actual earnings on pension plan investments	119,599	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	44,138	(89,551)
City's contributions subsequent to the measurement date	<u>101,576</u>	<u>-</u>
Total	\$ <u><u>443,860</u></u>	<u><u>(401,545)</u></u>

\$101,576 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:

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

Year ended June 30:

2019	\$	(35,671)
2020		45,834
2021		(34,455)
2022		(34,969)
2023		-
Thereafter		-

Component Unit

For PERA Fund Municipal General Division, at June 30, 2018, the Truth or Consequences Housing Authority reported a liability of \$1,225,686 for its proportionate share of the net pension liability. At June 30, 2017, the Housing Authority’s proportion was 0.0892% percent, which changed from its proportion of 0.0806 percent as of June 30, 2017.

For the year ended June 30, 2018, the Truth or Consequences Housing Authority recognized PERA Fund Municipal General Division pension expense of \$128,694. At June 30, 2018, the Housing Authority reported PERA Fund Municipal General Division 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	\$ 48,161	(62,774)
Changes in assumptions	56,521	(12,665)
Net difference between projected and actual earnings on pension plan investments	100,559	-
Changes in proportion and differences between Authority’s contributions and proportionate share of contributions	85,917	(63,148)
Authority’s contributions subsequent to the measurement date	<u>76,145</u>	<u>-</u>
Total	\$ <u><u>367,303</u></u>	<u><u>(138,587)</u></u>

\$76,145 reported as deferred outflows of resources related to pensions resulting from the Housing Authority’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:

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

Component Unit (continued)

Year ended June 30:

2019	\$	(15,145)
2020		(127,651)
2021		(39,162)
2022		29,387

Actuarial assumptions: The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level of percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed market value
Actuarial assumptions	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for health post-retirements, 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, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

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:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5%	1.79%
Credit Oriented Fixed Income	15.0%	5.77%
Real Assets	20.0%	7.35%
Total	<u>100.0%</u>	

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 periods 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 Employer’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 7.51 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 (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

PERA Fund Division Municipal General

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City’s proportionate share of the net pension liability	\$ 6,260,644	3,994,463	2,109,819

PERA Fund Division Municipal Police

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City’s proportionate share of the net pension liability	\$ 2,368,206	1,485,027	760,248

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

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

Payables to the pension plan: At June 30, 2018 the City had no outstanding contributions to the pension plan and therefore, had no payables reported as of June 30, 2018.

Component Unit

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate: The following presents the Truth or Consequences Housing Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.51 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 (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

PERA Fund Division Municipal General

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Housing Authority’s proportionate share of the net pension liability	\$ <u>1,921,051</u>	<u>1,225,686</u>	<u>647,389</u>

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

Payables to the pension plan: As of June 30, 2018, amounts due to PERA from the Authority totaled \$6,628.

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

Plan Description - Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

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

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>97,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the City were \$70,663 for the year ended June 30, 2018.

Contributions – Component Unit – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Authority were \$12,333 for the year ended June 30, 2018.

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

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported a liability of \$3,551,472 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the date. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the City’s proportion was 0.07837 percent.

For the year ended June 30, 2018, the City recognized OPEB expense of \$141,195. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	136,287
Changes in assumptions	-	51,090
Net difference between projected and actual earnings on OPEB plan investments	-	620,930
Employer contributions subsequent to the measurement date	<u>70,663</u>	-
Total	\$ <u>70,663</u>	<u>808,307</u>

Deferred outflows of resources totaling \$70,663 represent City contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (171,852)
2020	(171,852)
2021	(171,852)
2022	(171,852)
2023	<u>(120,899)</u>
Total	<u>\$ (808,307)</u>

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

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Component Unit

At June 30, 2018, the Authority reported a liability of \$650,748 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the date. The Authority’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Authority’s proportion was 0.01436 percent.

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$25,872. At June 30, 2018 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	24,973
Changes in assumptions	-	113,774
Net difference between projected and actual earnings on OPEB plan investments	-	9,359
Employer contributions subsequent to the measurement date	<u>12,645</u>	<u>-</u>
Total	\$ <u>12,645</u>	<u>148,106</u>

Deferred outflows of resources totaling \$12,645 represent Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	(31,489)
2020		(31,489)
2021		(31,489)
2022		(31,489)
2023		<u>(22,150)</u>
Total	\$	<u><u>(148,106)</u></u>

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

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity – large cap	9.1
Non U.S. – emerging markets	12.2
Non U.S. – developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity – small/mid cap	9.1

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

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate; percent) than the current discount rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$	<u>4,307,880</u>	<u>3,551,472</u>	<u>2,958,002</u>

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Discount Rate	1% Increase
\$	<u>3,020,772</u>	<u>3,551,472</u>	<u>3,965,287</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

Payables changes in the net OPEB liability. At June 30, 2018, the City did not accrue any payables for OPEB.

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

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates – Component Unit. The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate; percent) than the current discount rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$	<u>789,347</u>	<u>650,748</u>	<u>542,005</u>

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Discount Rate	1% Increase
\$	<u>553,506</u>	<u>650,748</u>	<u>726,573</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

Payables changes in the net OPEB liability. At June 30, 2018, the Authority reported a payable of \$1,701 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. GASB Statement No. 75 was effective for periods after June 15, 2017. The City has adopted this statement for the year ending June 30, 2018.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. GASB Statement No. 81 was effective for periods beginning after December 15, 2016. The adoption of GASB Statement No. 81 had no effect on the City's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, good will, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 was effective for periods beginning after June 15, 2017. The adoption of GASB Statement No. 85 did not have a significant impact of the City's Financial Statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment issues*. This statement establishes essentially the same requirements as GASB Statement No.7, for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to the financial statements in the period of defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains at period-end should be disclosed. GASB Statement No. 86 was effective for periods beginning after June 15, 2017. The County adopted this statement; however, there were no debt extinguishments and the implementation of this statement had no effect 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, 2018.

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

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.

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 County or in issuing its financial statements.

NOTE 15. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 requires the City to disclose information on certain tax abatement agreements affecting the City. Accordingly, the City did not have any tax abatements affecting the City during the year ended June 30, 2018.

NOTE 16. PRIOR YEAR RESTATEMENT

Beginning net position at June 30, 2018 was restated in the amount of \$4,285,871. This restatement was due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Component Unit

The objective of a net position restatement is to accurately reflect prior period's net position and improve the relevancy and usefulness of financial information. The Authority restated net position in the amount of (\$772,982) related to the implementation of GASB Statement No. 75 to recognize the beginning effect on prior year net position of the OPEB Liability.

NOTE 17. SUBSEQUENT EVENTS

Events subsequent to June 30, 2018 have been evaluated by management through December 14, 2018, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2018 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, 2018**

**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			
	2018 2017	2017 2016	2016 2015	2015 2014
City's Proportion of the Net Pension Liability (Asset)				
Municipal General	0.2907%	0.2954%	0.2908%	0.3329%
Municipal Police	0.2673%	0.2561%	0.2958%	0.2904%
Component Unit - Municipal General	0.0892%	0.0806%	0.0782%	0.0982%
City's Proportionate Share of Net Pension Liability (Asset)				
Municipal General	\$ 3,994,463	\$ 4,719,498	\$ 2,964,958	\$ 2,596,977
Municipal Police	1,485,027	1,889,582	1,396,406	964,276
Component Unit - Municipal General	1,225,684	1,287,717	797,317	766,065
	\$	\$ 7,896,797	\$ 5,158,681	\$ 4,327,318
City's Covered-Employee Payroll				
Municipal General	\$ 2,861,475	\$ 2,550,738	\$ 2,246,083	\$ 2,439,725
Municipal Police	537,439	550,728	838,111	934,075
Component Unit - Municipal General	617,593	615,593	571,154	605,461
	\$	\$ 3,717,059	\$ 3,655,348	\$ 3,979,261
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll				
Municipal General	139.59%	185.02%	132.01%	106.45%
Municipal Police	276.32%	343.11%	166.61%	103.23%
Component Unit - Municipal General	198.46%	209.18%	139.60%	126.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability				
Municipal General	73.74%	69.18%	76.99%	81.29%
Municipal Police	73.74%	69.18%	76.99%	81.29%
Component Unit - Municipal General	73.74%	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, 2018

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

	2018	2017	2016	2015
Contributions in relation to the contractually required contribution				
Municipal General	\$ 273,271	\$ 243,595	\$ 241,619	\$ 229,899
Municipal Police	101,576	104,088	96,273	107,568
Component Unit - Municipal General	76,145	74,420	65,939	61,787
	\$ 450,992	\$ 422,103	\$ 403,831	\$ 399,254
Contractually required contributions				
Municipal General	\$ 273,271	\$ 243,595	\$ 241,619	\$ 229,899
Municipal Police	101,576	104,087	96,273	107,568
Component Unit - Municipal General	76,145	74,420	65,939	61,787
	\$ 450,992	\$ 422,102	\$ 403,831	\$ 399,254
City's covered payroll				
Municipal General	\$ 2,861,475	\$ 2,550,738	\$ 2,246,083	\$ 2,439,725
Municipal Police	537,439	550,728	838,111	934,075
Component Unit - Municipal General	631,912	615,593	571,154	605,461
	\$ 4,030,826	\$ 3,717,059	\$ 3,655,348	\$ 3,979,261
Contributions "in relation" as a percentage of covered-employee payroll				
Municipal General	9.55%	9.55%	10.76%	10.24%
Municipal Police	18.90%	18.90%	11.49%	12.83%
Component Unit - Municipal General	12.05%	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
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2018**

New Mexico Retiree Healthcare Authority		For Last 10 Fiscal Years*		(Dollars in Thousands)	
		Fiscal Year		30-Jun	
		Measurement Date		2018	
		2017		2017	
City's Proportion of the Net OPEB liability				0.07837%	
Component Unit's Proportion of the Net OPEB Liability				0.01436%	
City's Proportionate Share of the Net OPEB Liability		\$	3,551,472		
Component Unit's Proportionate Share of the Net OPEB Liability		\$	650,748		
City's Covered-Employee Payroll		\$	3,264,618		
Component Unit's Covered -Employee Payroll		\$	598,187		
City's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered-Employee Payroll				108.79%	
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll				108.79%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability				11.34%	

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City and component unit will present information for available years.*

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CITY'S CONTRIBUTIONS
JUNE 30 ,2018**

**New Mexico Retiree Healthcare Authority
Last Ten Fiscal Years*
(Dollar Amounts in Thousands)**

	2018
Contractually Required Contribution - City	\$ 248,862
Contractually Required Contribution - Component Unit	\$ 12,645
Contributions in Relation to the Contractually Required Contribution - City	124,901
Contributions in Relation to the Contractually Required Contribution - Component Unit	(12,645)
Contribution Deficiency (Excess) - City	123,961
Contribution Deficiency (Excess) - Component Unit	-
Employer's covered-employee payroll - City	\$ 3,264,618
Employer's covered-employee payroll - Component Unit	\$ 632,179
Contributions as a percentage of covered-employee payroll - City	3.83%
Contributions as a percentage of covered-employee payroll - Component Unit	2.00%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City and Component Unit will present information for available years.*

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**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO PENSION AND OPEB REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms. The PERA fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's CAFR. <https://www.saonm.org>

Assumptions: The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org>

Changes of benefit terms. The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY18 audit available at <http://saonm.org> using the Audit Search function for agency 343.

Changes of assumptions. The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2017 report is available at <http://saonm.org> using the Audit Search function for agency 343.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2018**

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, 2018**

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.

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, 2018**

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, 2018

	Special Revenue			
	Fire Protection 209	Recreation Fund 217	Correction Fees 201	Law Enforcement Protection 211
<i>Assets</i>				
Cash and cash equivalents	\$ 487,503	6,231	12,869	2,791
Restricted cash and cash equivalents	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Miscellaneous receivables	-	-	-	-
Inventory	-	-	-	-
Total assets	\$ 487,503	6,231	12,869	2,791
<i>Liabilities</i>				
Accounts payable	\$ 861	-	3,515	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	861	-	3,515	-
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
Total Deferred Inflows	-	-	-	-
Total Liabilities and Deferred Inflows	861	-	3,515	-
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Public Safety	-	-	9,354	2,791
Culture and recreation	-	6,231	-	-
Transportation and roads	-	-	-	-
Fire protection	486,642	-	-	-
Veteran's Wall	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	486,642	6,231	9,354	2,791
Total liabilities and fund balances	\$ 487,503	6,231	12,869	2,791

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
155,986	285,908	469,938	17,077	8,902	30,292	-
-	-	-	-	-	-	-
-	19,789	-	-	-	-	-
8,782	-	-	-	-	-	-
-	-	70,608	12,280	-	-	-
<u>164,768</u>	<u>305,697</u>	<u>540,546</u>	<u>29,357</u>	<u>8,902</u>	<u>30,292</u>	<u>-</u>
-	14,785	-	1,638	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>14,785</u>	-	<u>1,638</u>	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>14,785</u>	-	<u>1,638</u>	-	-	-
-	-	70,607	12,280	-	-	-
164,768	-	-	-	-	-	-
-	290,912	-	15,439	8,902	-	-
-	-	469,939	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	30,292	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>164,768</u>	<u>290,912</u>	<u>540,546</u>	<u>27,719</u>	<u>8,902</u>	<u>30,292</u>	<u>-</u>
<u>164,768</u>	<u>305,697</u>	<u>540,546</u>	<u>29,357</u>	<u>8,902</u>	<u>30,292</u>	<u>-</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Senior Transportation 304	Capital Expenditures 305	Local Econ. Dev. Act (LEDA) 319	USDA Street Sweeper 308
<i>Assets</i>				
Cash and cash equivalents	\$ 88,170	6,484	-	100
Restricted cash and cash equivalents	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Miscellaneous receivables	-	-	-	-
Inventory	-	-	-	-
Total assets	\$ 88,170	6,484	-	100
<i>Liabilities</i>				
Accounts payable	-	4,475	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	4,475	-	-
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
Total Deferred Inflows	-	-	-	-
Total Liabilities and Deferred Inflows	-	4,475	-	-
<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	2,009	-	100
Unassigned	-	-	-	-
Total fund balances	88,170	2,009	-	100
Total liabilities and fund balances	\$ 88,170	6,484	-	100

Capital Projects				Total Nonmajor
Golf Course Improvement 307	R & R Emergency 310	Veteran's Wall 303	CDBG Project 314	Governmental Funds
16,454	59,938	31,983	2,776	1,683,402
-	-	-	-	-
-	-	-	323,565	343,354
-	-	-	-	8,782
-	-	-	-	82,888
<u>16,454</u>	<u>59,938</u>	<u>31,983</u>	<u>326,341</u>	<u>2,118,426</u>
-	-	-	-	25,274
-	-	-	-	-
-	-	-	-	-
-	-	-	-	25,274
-	-	-	-	-
-	-	-	-	-
-	-	-	-	25,274
-	-	-	-	-
-	-	-	-	82,887
-	-	-	-	176,913
-	-	-	-	321,484
-	-	-	-	469,939
-	-	-	-	486,642
-	-	31,983	-	62,275
16,454	59,938	-	326,341	493,012
-	-	-	-	-
<u>16,454</u>	<u>59,938</u>	<u>31,983</u>	<u>326,341</u>	<u>2,093,152</u>
<u>16,454</u>	<u>59,938</u>	<u>31,983</u>	<u>326,341</u>	<u>2,118,426</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, 2018

	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	289,502	-	-	27,800
State capital grants	-	-	-	-
Charges for services	-	-	14,059	-
Investment income	-	-	-	-
Miscellaneous	348	12	-	-
<i>Total revenues</i>	<u>289,850</u>	<u>12</u>	<u>14,059</u>	<u>27,800</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	81,317	-	26,170	25,236
Public works	-	-	-	-
Culture and recreation	-	15,049	-	-
Capital outlay	36,608	21,784	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>117,925</u>	<u>36,833</u>	<u>26,170</u>	<u>25,236</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>171,925</u>	<u>(36,821)</u>	<u>(12,111)</u>	<u>2,564</u>
Other Financing Sources (Uses)				
Proceeds from loans				
Transfers, in	-	36,000	16,000	-
Transfers, out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>36,000</u>	<u>16,000</u>	<u>-</u>
<i>Net change in fund balances</i>	171,925	(821)	3,889	2,564
<i>Fund balances - beginning of year</i>	<u>314,717</u>	<u>7,052</u>	<u>5,465</u>	<u>227</u>
<i>Fund balances, end of year</i>	<u>\$ 486,642</u>	<u>6,231</u>	<u>9,354</u>	<u>2,791</u>

Police Department GRT Fund 296	Lodger's Tax 214	Municipal Streets Fund 216	Special Revenue			Veteran's Wall Perpetual Care 293	Federal Seizures Share 292
			Municipal Pool 295	State Library 294			
-	-	243,210	340	-	-	-	
-	-	62,258	-	-	-	-	
-	273,035	-	-	-	-	-	
-	-	-	-	-	-	-	
-	5,000	74,124	-	28,243	-	-	
-	-	-	-	-	-	-	
63,122	60,252	-	7,940	-	-	-	
217	209	431	-	-	-	-	
-	-	-	-	2,590	-	-	
<u>63,339</u>	<u>338,496</u>	<u>380,023</u>	<u>8,280</u>	<u>30,833</u>	<u>-</u>	<u>-</u>	
-	179,255	-	-	-	-	-	
-	-	-	-	-	4,292	-	
-	-	249,301	-	-	-	-	
-	-	-	220,195	23,950	-	-	
214,203	-	20,725	-	-	-	2,454	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>214,203</u>	<u>179,255</u>	<u>270,026</u>	<u>220,195</u>	<u>23,950</u>	<u>4,292</u>	<u>2,454</u>	
<u>(150,864)</u>	<u>159,241</u>	<u>109,997</u>	<u>(211,915)</u>	<u>6,883</u>	<u>(4,292)</u>	<u>(2,454)</u>	
155,000	-	-	210,000	-	-	-	
(116,000)	(55,000)	(15,000)	-	-	-	-	
<u>39,000</u>	<u>(55,000)</u>	<u>(15,000)</u>	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	
(111,864)	104,241	94,997	(1,915)	6,883	(4,292)	(2,454)	
<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>164,768</u>	<u>290,912</u>	<u>540,546</u>	<u>27,719</u>	<u>8,902</u>	<u>30,292</u>	<u>-</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, 2018

	Senior Transportation 304	Capital Expenditures 305	Local Econ. Dev. Act (LEDA) 319	USDA Street Sweeper 308
<i>Revenues</i>				
Taxes:				
Gross Receipts	\$ -	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal capital grants	-	-	-	-
State operating grants	-	253,711	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	87	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>253,798</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	8,492	-
Public works	-	1,649	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	414,419	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>416,068</u>	<u>8,492</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(162,270)</u>	<u>(8,492)</u>	<u>-</u>
Other Financing Sources (Uses)				
Proceeds from loans				
Transfers, in	-	115,000	-	-
Transfers, out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>115,000</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	(47,270)	(8,492)	-
<i>Fund balances - beginning of year</i>	<u>88,170</u>	<u>49,279</u>	<u>8,492</u>	<u>100</u>
<i>Fund balances, end of year</i>	<u>\$ 88,170</u>	<u>2,009</u>	<u>-</u>	<u>100</u>

Capital Projects				Total Nonmajor Governmental Funds
Golf Course Improvements 307	R & R Emergency 310	Veteran's Wall 303	CDBG Project 314	
-	-	-	-	243,550
-	-	-	-	62,258
-	-	-	-	273,035
-	-	-	-	-
-	-	41,224	489,263	1,208,867
-	-	-	-	-
-	-	-	-	145,373
-	-	-	-	944
-	-	-	-	2,950
-	-	41,224	489,263	1,936,977
-	-	-	-	179,255
-	-	-	-	145,507
-	-	-	-	250,950
-	-	62,427	-	321,621
-	-	-	-	710,193
-	-	-	-	-
-	-	-	-	-
-	-	62,427	-	1,607,526
-	-	(21,203)	489,263	329,451
-	2,500	-	210,000	744,500
(20,000)	-	-	(375,041)	(581,041)
(20,000)	2,500	-	(165,041)	163,459
(20,000)	2,500	(21,203)	324,222.00	492,910
36,454	57,438	53,186	2,119	1,600,242
16,454	59,938	31,983	326,341	2,093,152

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2018**

	Business Type Activities - Enterprise Funds		
	Golf Course 508	Cemetery 501	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash, investments and cash equivalents	\$ 8,057	40,142	48,199
Receivables:			
Charges for services, net	-	-	-
Total current assets	<u>8,057</u>	<u>40,142</u>	<u>48,199</u>
Noncurrent assets			
Capital assets	1,115,175	145,849	1,261,024
Less: Accumulated depreciation	<u>(483,692)</u>	<u>(26,558)</u>	<u>(510,250)</u>
Total assets	<u>\$ 639,540</u>	<u>159,433</u>	<u>798,973</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 11,834	813	12,647
Due to other funds	<u>1,414</u>	<u>-</u>	<u>1,414</u>
Total current liabilities	<u>13,248</u>	<u>813</u>	<u>14,061</u>
Net position			
Net investment in capital assets	631,483	119,291	750,774
Unrestricted	<u>(5,191)</u>	<u>39,329</u>	<u>34,138</u>
Total net position	<u>626,292</u>	<u>158,620</u>	<u>784,912</u>
Total liabilities and net position	<u>\$ 639,540</u>	<u>159,433</u>	<u>798,973</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, 2018**

	Business Type Activities - Enterprise Funds		
	Golf Course 508	Cemetery 501	Total Nonmajor Enterprise Funds
<i>Operating Revenues</i>			
Charges for services	\$ 6,552	15,440	21,992
<i>Total revenues</i>	<u>6,552</u>	<u>15,440</u>	<u>21,992</u>
<i>Operating Expenses</i>			
General operating	154,265	10,104	164,369
Depreciation	9,447	724	10,171
Utilities	10,109	-	10,109
<i>Total operating expenses</i>	<u>173,821</u>	<u>10,828</u>	<u>184,649</u>
<i>Operating income (loss)</i>	<u>(167,269)</u>	<u>4,612</u>	<u>(162,657)</u>
<i>Nonoperating revenues (expenses)</i>			
Investment income	40	19	59
Miscellaneous income	17,503	-	17,503
<i>Total non-operating revenues (expenses)</i>	<u>17,543</u>	<u>19</u>	<u>17,562</u>
<i>Income (loss) before contributions and transfers</i>	<u>(149,726)</u>	<u>4,631</u>	<u>(145,095)</u>
Transfers in	130,000	11,340	141,340
Transfers out	(165,106)	-	(165,106)
<i>Change in net position</i>	<u>(184,832)</u>	<u>15,971</u>	<u>(168,861)</u>
Net position - beginning	<u>811,124</u>	<u>142,649</u>	<u>953,773</u>
<i>Net position - end of year</i>	<u>\$ 626,292</u>	<u>158,620</u>	<u>784,912</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2018**

	Business Type Activities - Enterprise Funds		
	Golf Course	Cemetery	Total Nonmajor Enterprise Funds
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 6,552	15,440	21,992
Cash payments to suppliers for goods and services	(152,536)	(9,790)	(162,326)
<i>Net cash provided (used) by operating activities</i>	<u>(145,984)</u>	<u>5,650</u>	<u>(140,334)</u>
<i>Cash flows from noncapital financing activities</i>			
Miscellaneous income	17,543	19	17,562
Transfers	130,000	11,340	141,340
<i>Net cash provided by noncapital financing activities</i>	<u>147,543</u>	<u>11,359</u>	<u>158,902</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	-	(11,340)	(11,340)
<i>Net cash (used) by capital and related financing activities</i>	<u>-</u>	<u>(11,340)</u>	<u>(11,340)</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>1,559</u>	<u>5,669</u>	<u>7,228</u>
Cash and cash equivalents - beginning of year	<u>6,498</u>	<u>34,473</u>	<u>40,971</u>
Cash and cash equivalents - end of year	\$ <u>8,057</u>	<u>40,142</u>	<u>48,199</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (167,269)	4,612	(162,657)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
<i>Depreciation</i>	9,447	724	10,171
Changes in assets and liabilities			
Receivables	-	-	-
Due to other funds	1,414	-	1,414
Account payable	10,424	314	10,738
<i>Net cash provided (used) by operating activities</i>	\$ <u>(145,984)</u>	<u>5,650</u>	<u>(140,334)</u>

OTHER SUPPLEMENTARY SCHEDULES

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
Year Ended June 30, 2018**

<u>Bank Name</u>	<u>Account Type</u>	<u>Totals</u>
First Savings Bank		
GENERAL	Demand Account	\$ 746,315
LOCAL GOVERNMENT CORRECTIONS	Demand Account	12,869
FIRE PROTECTION	Demand Account	487,503
LAW ENFORCEMENT PROTECTION	Demand Account	2,791
LODGER'S TAX	Demand Account	285,908
MUNICIPAL STREET FUND	Demand Account	469,938
RECREATION	Demand Account	6,181
FEDERAL SEIZURE SHARE	Demand Account	-
VETERANS WALL PERPETUAL CARE	Demand Account	30,292
LIBRARY	Demand Account	8,902
MUNICIPAL POOL	Demand Account	17,077
PD GRT FUND	Demand Account	155,986
PD CONFIDENTIAL	Demand Account	6,053
PD DONATIONS	Demand Account	6,720
ELECTRICAL CONSTRUCTION	Demand Account	75,964
VETERANS WALL	Demand Account	31,983
SENIOR GRANTS	Demand Account	88,170
CAPITAL IMPROVEMENTS GENERAL	Demand Account	6,484
CAPITAL IMPROVEMENT JT UTILITY	Demand Account	242,406
GOLF COURSE IMPROVEMENTS	Demand Account	16,454
USDA STREET SWEEPER	Demand Account	100
USDA WWTP FUND	Demand Account	111,563
JOINT UT EMERGENCY	Demand Account	59,938
R & R AIRPORT (FFA)	Demand Account	1,792
R & R WATER	Demand Account	1,885
CDBG	Demand Account	2,776
CAPITAL IMPOV RESERVE	Demand Account	700,272
EMERGENCY REPAIR RESERVE	Demand Account	104,694
WASTE WATER RESERVE	Demand Account	122,011
ELECTRICAL CONSTRUCTION RESERVE	Demand Account	100,830
PLEDGE STATE TAX	Demand Account	122,016
CEMETARY FUND	Demand Account	40,142
TRANSFER STATION	Demand Account	290,115
GOLF COURSE	Demand Account	8,057
MUNICIPAL AIRPORT	Demand Account	14,621
INTERNAL SERVICE	Demand Account	70,611
PD BONDS	Demand Account	1,000
REVOLVING FUND	Demand Account	570,484
W/WW Impact Fees	Demand Account	33,452
Impact WW Dennis Murati	Demand Account	1,801
Impact WW James Lewis	Demand Account	1,801
Impact WW NM Veterans Home	Demand Account	101,369
Impact WW Lewis & Janet Kern	Demand Account	2,701
LEDA Funds	Demand Account	1,350
Joint Utility (pooled cash)	Demand Account	2,228,865
CD INVESTMENT R&R SEWER	Time Account	144,703
CD INVESTMENT R&R WATER	Time Account	127,867
CD INVESTMENT PLEDGE	Time Account	591,039
CD INVESTMENT ELECTRIC	Time Account	505,280
CD INVESTMENT CAPITAL IMPOVE	Time Account	1,031,380
CD INVESTMENT EMERG REPAIR	Time Account	82,383
CD INVESTMENT WASTE WATER REPAIR	Time Account	103,141
CD INVESTMENT ELEC CONST	Time Account	83,572
CD INVESTMENT HSLD	Time Account	100,752
Total for First Savings Bank		<u>10,162,359</u>

NMFA			
Storage Tanks		Cash/Investment	31,009
Electric Upgrade		Cash/Investment	179,028
Police Department Building		Cash/Investment	22,245
Recreational		Cash/Investment	315,967
Streets Improvements		Cash/Investment	186,288
Water Tank		Cash/Investment	10,175
Refunding Water Revenue		Cash/Investment	111,816
Fire Pump		Cash/Investment	295
	Total NMFA		<u>856,823</u>
NM LGIP Fund			
LGIP Fund			<u>1,325,583</u>
	Total NM LGIP		<u>1,325,583</u>
Total on Deposit and Investments		Cash/Investment	<u>12,344,765</u>
Reconciling Items			<u>(491,288)</u>
Total Deposits and Investments			<u>11,853,477</u>
Less: Restricted Cash and Cash Equivalents per the Statement of Net Position			965,335
Less: Investments per the Statement of Net Position			4,095,700
Total Unrestricted Cash and Cash Equivalents per the Statement of Net Position			<u>\$ 6,792,442</u>

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STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2018

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2018	Location of Safekeeper
First Savings Bank					
	FHLMC AGENCY	5/30/2019	3137EADG1	\$ 1,988,556	Federal Reserve, Beresford SD
	FNMA 10 YR	4/1/2024	31418BB54	251,401	Federal Reserve, Beresford SD
	FNMA 15YR	8/1/2026	31417Y4X2	244,445	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2026	3138E1HB6	949,974	Federal Reserve, Beresford SD
	GNMA 15YR	2/15/2027	36176XBY4	782,436	Federal Reserve, Beresford SD
	GNMA II 15YR	3/20/2027	36202F4K9	458,800	Federal Reserve, Beresford SD
	FNR 2012-66 HE	6/25/2027	3136A6A20	391,677	Federal Reserve, Beresford SD
	GNR 2012-96 AD	8/20/2027	38378HAU0	146,612	Federal Reserve, Beresford SD
	FHR 4136 NG	11/15/2027	3137AWKN4	152,619	Federal Reserve, Beresford SD
	FHR 4136 NG	11/15/2027	3137AWKN4	305,237	Federal Reserve, Beresford SD
	FHLMC 15YR	12/1/2028	3132KEMF9	749,064	Federal Reserve, Beresford SD
	FHLMC 15YR	12/1/2029	3138ERHG8	217,743	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2029	3138ERHG8	435,487	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2029	3140J5EA3	341,218	Federal Reserve, Beresford SD
	FHLMC 15YR	2/1/1930	3128MECV1	229,709	Federal Reserve, Beresford SD
	FHLMC 15YR G16028	8/1/1931	3128ME4M0	979,391	Federal Reserve, Beresford SD
	FNR 2013-73 TC	9/25/2042	3136AFTR5	155,357	Federal Reserve, Beresford SD
	FNR 2013-73 TC	9/25/2042	3136AFTR5	110,969	Federal Reserve, Beresford SD
	FHLMC 15YR J24561	6/1/2028	31307DB62	109,593	Federal Reserve, Beresford SD
	FNMA 15YR AL8703	2/1/2030	313ETU53	215,879	Federal Reserve, Beresford SD
	FNR 2014-37GJ	6/25/2042	3136AKGQ0	304,898	Federal Reserve, Beresford SD
	FNR 2014-37GJ	6/25/2042	3136AKGQ0	213,428	Federal Reserve, Beresford SD
			Total	\$ <u>9,734,493</u>	

State of New Mexico
City of Truth or Consequences
Truth or Consequences Housing Authority - A Component Unit of the City
Financial Data Schedule
June 30, 2018

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	\$ 362,861	\$ -	\$ 65,929	\$ 65,726
113	Cash - Other Restricted	11,312	-	-	105,437
114	Cash - Tenant Security Deposits	24,193	-	-	7,840
100	Total Cash	398,366	-	65,929	179,003
124	Accounts Receivable - Other Government	4,200	-	-	-
125	Accounts Receivable - Miscellaneous	152,057	-	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	4,392	-	-	3,938
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(439)	-	-	(394)
120	Total Receivables, Net of Allowance for Doubtful Accounts	160,210	-	-	3,544
131	Investments - Unrestricted	223,308	-	-	-
130	Total Investments	223,308	-	-	-
142	Prepaid Expenses and Other Assets	829	-	-	320
143	Inventories	2,058	-	-	2,419
150	Total Current Assets	784,771	-	65,929	185,286
161	Land	431,590	-	-	205,946
162	Buildings	4,598,792	-	6,551	2,022,079
163	Furniture, Equipment & Machinery - Dwellings	240,159	-	-	56,243
164	Furniture, Equipment & Machinery - Administration	410,325	-	16,342	20,771
165	Leasehold Improvements	532,501	-	18,015	80,032
166	Accumulated Depreciation	(4,435,835)	-	(23,145)	(1,228,067)
167	Construction in progress	264,843	-	-	-
168	Infrastructure	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	2,042,375	-	17,763	1,157,004
180	Total Non-Current Assets	2,042,375	-	17,763	1,157,004
190	Total Assets	2,827,146	-	83,692	1,342,290
200	Deferred Outflows of Resources	161,248	-	-	53,781
290	Total Assets and Deferred Outflows of Resources	\$ 2,988,394	\$ -	\$ 83,692	\$ 1,396,071

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
\$ -	\$ -	\$ 162,363	\$ -	\$ 5,931	\$ 199,871	\$ 862,681
-	-	57,307	-	-	-	174,056
-	-	-	-	-	-	32,033
-	-	219,670	-	5,931	199,871	1,068,770
-	-	-	-	-	-	4,200
-	-	-	-	-	384,436	536,493
-	-	-	-	-	-	8,330
-	-	-	-	-	-	(833)
-	-	-	-	-	384,436	548,190
-	-	-	-	-	77,723	301,031
-	-	-	-	-	77,723	301,031
-	-	-	-	-	-	1,149
-	-	-	-	-	-	4,477
-	-	219,670	-	5,931	662,030	1,923,617
-	-	-	-	-	-	637,536
-	-	-	-	-	-	6,627,422
-	-	-	-	-	-	296,402
-	-	35,730	-	-	-	483,168
-	-	-	-	-	-	630,548
-	-	(34,144)	-	-	-	(5,721,191)
-	-	-	-	-	-	264,843
-	-	-	-	-	-	-
-	-	1,586	-	-	-	3,218,728
-	-	1,586	-	-	-	3,218,728
-	-	221,256	-	5,931	662,030	5,142,345
-	-	60,479	-	-	71,895	347,403
\$ -	\$ -	\$ 281,735	\$ -	\$ 5,931	\$ 733,925	\$ 5,489,748

State of New Mexico
City of Truth or Consequences
Truth or Consequences Housing Authority - A Component Unit of the City
Financial Data Schedule
June 30, 2018

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	\$ 16,666	\$ -	\$ -	\$ 4,809
321	Accrued Wage/Payroll Taxes Payable	75,602	-	-	-
322	Accrued Compensated Absences - Current Portion	8,302	-	-	4,033
	Accounts Payable - Other				
333	Government	-	-	-	2,596
341	Tenant Security Deposits	24,193	-	-	7,995
342	Unearned Revenues	-	-	-	-
343	Current Portion of Long-term Debt - Capital Projects	-	-	-	40,004
345	Other Current Liabilities	11,312	-	-	59,201
310	Total Current Liabilities	136,075	-	-	118,638
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	772,133
354	Accrued Compensated Absences - Non-Current	-	-	-	-
	Accrued Pension and OPEB				
357	Liabilities	945,892	-	-	245,625
350	Total Non-Current Liabilities	945,892	-	-	1,017,758
300	Total Liabilities	1,081,967	-	-	1,136,396
400	Deferred Inflows of Resources	(303,578)	-	-	(86,995)
508.1	Net investment in capital assets	2,042,375	-	17,763	344,867
511	Restricted Net Position	-	-	-	105,437
512.1	Unrestricted Net Position	167,630	-	65,929	(103,634)
513	Total Equity/Net Position	2,210,005	-	83,692	346,670
600	Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position	\$ 2,988,394	\$ -	\$ 83,692	\$ 1,396,071

	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
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,475
	-	-	435	-	-	-	76,037
	-	-	-	-	-	10,388	22,723
	-	-	-	-	-	-	2,596
	-	-	-	-	-	-	32,188
	-	-	-	-	-	-	-
	-	-	-	-	-	-	40,004
	-	-	57,307	-	-	152,057	279,877
	-	-	57,742	-	-	162,445	474,900
	-	-	-	-	-	-	772,133
	-	-	-	-	-	-	-
	-	-	262,289	-	-	289,288	1,743,094
	-	-	262,289	-	-	289,288	2,515,227
	-	-	320,031	-	-	451,733	2,990,127
	-	-	(24,371)	-	-	28,768	(386,176)
	-	-	1,586	-	-	-	2,406,591
	-	-	37,342	-	-	-	142,779
	-	-	(52,853)	-	5,931	253,424	336,427
	-	-	(13,925)	-	5,931	253,424	2,885,797
\$	-	\$ -	\$ 281,735	\$ -	\$ 5,931	\$ 733,925	\$ 5,489,748

State of New Mexico
City of Truth or Consequences
Truth or Consequences Housing Authority - A Component Unit of the City
Financial Data Schedule
June 30, 2018

Line Item		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
Number	Description				
70300	Net Tenant Rental Revenue	\$ 228,649	\$ -	\$ 20,040	\$ -
70400	Tenant Revenue - Other	1,200	-	-	122,514
70500	Total Tenant Revenue	229,849	-	20,040	122,514
70600	HUD PHA Operating Grants	179,571	1,383	-	76,831
70610	Capital Grants	-	50,069	-	-
70800	Other Governmental Grants	-	-	-	-
71100	Investment Income - Unrestricted	3,016	-	-	175
71500	Other Revenue	25,991	-	135	4,982
71600	Gain or Loss on Sale of Capital Assets	(9,569)	-	-	-
70000	Total Revenue	428,858	51,452	20,175	204,502
91100	Administrative Salaries	65,661	-	-	6,474
91200	Auditing Fees	17,738	-	-	6,450
91310	Book-keeping Fee	4,249	-	653	-
91400	Advertising and Marketing	4,059	-	-	1,182
91500	Employee Benefit Contributions - Administrative	42,973	-	-	22,542
91600	Office Expenses	24,237	-	-	2,383
91700	Legal Expense	493	-	-	654
91800	Travel	6,674	-	-	-
91900	Other Operating - Administrative	17,911	-	543	35,555
91000	Total Operating - Administrative	183,995	-	1,196	75,240
92100	Tenant Services - Salaries	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	17,252	-	-	-
92500	Total Tenant Services	17,252	-	-	-
93100	Water	16,317	-	318	5,925
93200	Electricity	60,196	-	-	6,062
93300	Gas	5,258	-	788	2,498
93600	Sewer	-	-	-	9,246
93800	Other Utilities Expense	13,504	-	542	10,160
93000	Total Utilities	95,275	-	1,648	33,891

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248,689
-	-	-	-	-	-	123,714
-	-	-	-	-	-	372,403
167,081	-	857,171	74,694	-	-	1,356,731
-	-	-	-	-	-	50,069
-	67,607	-	-	-	-	67,607
-	-	674	-	9	931	4,805
-	-	20,122	-	-	165,787	217,017
-	-	-	-	-	-	(9,569)
167,081	67,607	877,967	74,694	9	166,718	2,059,063
-	-	28,811	-	-	65,989	166,935
-	-	8,063	-	-	-	32,251
-	-	4,118	-	-	653	9,673
-	-	-	-	-	-	5,241
-	-	7,986	13,864	-	43,451	130,816
-	-	10,089	-	-	7,809	44,518
-	-	-	-	-	-	1,147
-	-	1,422	-	-	-	8,096
-	-	20,174	-	-	-	74,183
-	-	80,663	13,864	-	117,902	472,860
-	-	-	-	-	-	-
-	-	-	-	-	-	17,252
-	-	-	-	-	-	17,252
-	-	-	-	-	-	22,560
-	-	-	-	-	-	66,258
-	-	-	-	-	-	8,544
-	-	-	-	-	-	9,246
-	-	-	-	-	-	24,206
-	-	-	-	-	-	130,814

State of New Mexico
City of Truth or Consequences
Truth or Consequences Housing Authority - A Component Unit of the City
Financial Data Schedule
June 30, 2018

Line Item		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
Number	Description				
94100	Ordinary Maintenance & Operation - Labor	\$ 70,738	\$ -	\$ -	\$ 29,802
94200	Ordinary Maintenance & Operation - Materials & Other	26,414	-	1,150	17,138
94300	Ordinary Maintenance & Operation Contracts	73,615	-	217	42,953
94500	Employee Benefit Contributions - Ordinary Maintenance	36,452	-	-	14,377
94000	Total Maintenance	207,219	-	1,367	104,270
96110	Property Insurance	22,881	-	2,959	16,597
96130	Workmen's Compensation	-	-	-	485
96140	All Other Insurance	-	-	-	-
96100	Total Insurance Premiums	22,881	-	2,959	17,082
96200	Other General Expenses	75,448	-	-	785
96400	Bad Debt - Tenant Rents	4,135	-	-	7,706
96000	Total Other General	79,583	-	-	8,491
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	90,021
96700	Total Interest Expense and Amortization Cost	-	-	-	90,021
96900	Total Operating Expenses	606,205	-	7,170	328,995
97000	Excess Operating Revenue Over Operating Expenses	(177,347)	51,452	13,005	(124,493)
97300	Housing Assistance Payments	-	-	-	-
97400	Depreciation Expense	58,868	-	2,456	64,468
90000	Total Expenses	665,073	-	9,626	393,463
10010	Operating Transfers In	68,990	-	-	167,081
10020	Operating Transfers Out	-	(1,383)	-	-
10100	Total Other Financing Sources (Uses)	68,990	(1,383)	-	167,081

	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
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,540
	-	-	-	-	-	-	44,702
	-	-	-	-	-	-	116,785
	-	-	-	-	-	-	50,829
	-	-	-	-	-	-	312,856
	-	-	-	-	-	-	42,437
	-	-	-	-	-	-	485
	-	-	657	-	-	-	657
	-	-	657	-	-	-	43,579
	-	-	5,380	-	-	132	81,745
	-	-	-	-	-	-	11,841
	-	-	5,380	-	-	132	93,586
	-	-	-	-	-	-	90,021
	-	-	-	-	-	-	90,021
	-	-	86,700	13,864	-	118,034	1,160,968
	167,081	67,607	791,267	60,830	9	48,684	898,095
	-	-	729,445	62,858	-	-	792,303
	-	-	2,718	-	-	-	128,510
	-	-	818,863	76,722	-	118,034	2,081,781
	-	-	-	-	-	-	236,071
	(167,081)	(67,607)	-	-	-	-	(236,071)
	(167,081)	(67,607)	-	-	-	-	-

State of New Mexico
City of Truth or Consequences
Truth or Consequences Housing Authority - A Component Unit of the City
Financial Data Schedule
June 30, 2018

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	\$ (167,225)	\$ 50,069	\$ 10,549	\$ (21,880)
11030	Beginning Equity	2,327,161	-	73,143	368,550
11040-10	Correction of Equity classification	-	-	-	-
11040-20	Equity Transfers	50,069	(50,069)	-	-
	Ending Equity (deficit)	\$ 2,210,005	\$ -	\$ 83,692	\$ 346,670
11190	Unit Months Available	1,200	-	12	636
11210	Number of Unit Months Leased	804	-	12	575
11270	Excess Cash	\$ 1,255,719	\$ -	\$ -	\$ -
11620	Building Purchases	-	-	-	-
11630	Furniture & Equipment - Dwelling Purchases	27,365	-	-	-
11640	Furniture & Equipment - Administrative Purchases	24,400	-	-	-
11650	Leasehold Improvements Purchases	63,922	-	-	-

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
\$ -	\$ -	\$ 59,104	\$ (2,028)	\$ 9	\$ 48,684	\$ (22,718)
-	-	(71,001)	-	5,922	204,740	2,908,515
-	-	-	-	-	-	-
-	-	(2,028)	2,028	-	-	-
\$ -	\$ -	\$ (13,925)	\$ -	\$ 5,931	\$ 253,424	\$ 2,885,797
-	-	2,040	240	-	-	4,128
-	-	1,698	240	-	-	3,329
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,255,719
-	-	-	-	-	-	-
-	-	-	-	-	-	27,365
-	-	-	-	-	-	24,400
-	-	-	-	-	-	63,922

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

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	\$ 34,299
Total Highway Planning and Construction			<u>34,299</u>
Airport Improvement Program			
Runway 13-31 3-35-0042-015-2016 (Phase 1)	N/A	20.106	220,275
Runway 13-31 3-35-0042-015-2017 (Phase 2)	N/A	20.106	139,228
Total Airport Improvement Program			<u>359,503</u>
Total Department of Transportation			<u>393,802</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 290,172
WWTP Phase I (Grant Portion)- 114127 & IFB #15-16-005	N/A	10.760	A 470,924
WWTP Phase IIA (Colonias Grant Portion) - 3171 CIF 115119	N/A	10.760	A 667,321
WWTP Improvements 2B (Interim Loan Phase)	N/A	10.760	A 537,945
Total Water and Waste Disposal Systems for Rural Communities Grants			<u>1,966,362</u>
Total United States Department of Agriculture			<u>1,966,362</u>
Total Federal Financial Assistance			\$ <u>2,360,164</u>

A Denotes Major Program

See Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2018. 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 City, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the City. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Subrecipients of Grant Awards

There were no sub-recipients during fiscal 2018.

Indirect Cost Rate

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

**INDEPENDENT AUDITOR’S 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 comparison of the general fund of the City of Truth or Consequences (the “City”), as of and for the year ended June 30, 2018, 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 14, 2018.

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

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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 2017-001, 2017-004, 2017-005, 2018-001, 2018-002, 2018-003 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
Albuquerque, New Mexico
December 14, 2018

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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, 2018. 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.

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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, 2018.

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 14, 2018

STATE OF NEW MEXICO
 CITY OF TRUTH OR CONSEQUENCES
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2018

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?	Yes
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?	Yes
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, 2018**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001 CONTROLS OVER CASH DISBURSMENTS (Finding that does not rise to the level of a significant deficiency)

CONDITION: During our internal control testwork over cash disbursement we noted the following:

- In 1 transaction totaling \$511 out of 25 transactions tested, the purchase order was dated after the invoice.
- In 1 transaction totaling \$20 out of 25 transactions tested, the city did not issue a purchase order.

The City has made minimal progress on this finding.

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: 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.

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. Violation of the City’s policies will no longer be allowed. Employees in violation of the policies will be held 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 requisition, this information will be added to the requisition documentation which is submitted electronically through the Tyler System. We are also processing open PO’s for reoccurring services.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

2017-001 CONTROLS OVER CASH DISBURSMENTS (Finding that does not rise to the level of a significant deficiency)

MANAGEMENT RESPONSE (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: Chief Procurement Officer, Finance Director, and City Manager

TIMELINE FOR CORRECTIVE ACTION: January 1, 2019

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

2017-004 CONTROLS SURROUNDING CASH RECEIPTS (Finding that does not rise to the level of a significant deficiency)

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

- Golf Course
 - During our review of cash receipts from the Golf Course, it was noted that Golf Course deposits are not being made timely. 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.

The City has not made any progress on this finding.

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.

RECOMMENDATION: We recommend the City update their cash receipt policies and procedures for all locations. Employees and contractors should be trained on the updated policies and procedures for accounting, reporting and reconciling daily reports to deposits. Employees and contractors should also be trained on the daily deposit requirement. We recommend the City 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: The City intends to terminate the contract with the current golf course management firm which means the City will be taking over all responsibility for its successful operation. This change will allow the City to ensure that payments received are accounted for in accordance with stated City policy. The change will also allow the City to ensure that City policy is being performed in a uniform manner throughout each field department in regards to organizing, structure, planning, hiring and training of employees, etc.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

2017-004 CONTROLS SURROUNDING CASH RECEIPTS (Finding that does not rise to the level of a significant deficiency)

MANAGEMENT RESPONSE (CONTINUED): Once the changes have been implemented the City Manager 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 with the Finance Director assistance. The recommendations for a “point of sale” system at the golf course, will be implemented during the transition period.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: City Manager

TIMELINE FOR CORRECTIVE ACTION: April 1, 2019

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

2018-001 CONTROLS SURROUNDING BULK FUEL (Finding that does not rise to the level of a significant deficiency)

CONDITION: During our test of controls over bulk fuel purchases we noted 7 transactions totaling \$4,595, out of 7 transactions tested did not contain adequate supporting documentation and the City does not have a policy in place to accurately monitor and report bulk fuel usage.

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 include adequate supporting documentation for all disbursements. The City’s finance policies also state “inventory item requests are checked against on hand inventory and in process purchases before approval is granted by or on behalf of the department manager.”

EFFECT: The City is not in compliance with their internal control policies. In addition the City could be purchasing more fuel than needed or receiving less fuel than purchased due to their lack of inventory control.

CAUSE: The City does not have a policy in place to accurately monitor and report bulk fuel usage. Fuel logs were incomplete and not attached to bulk fuel invoices.

RECOMMENDATION: We recommend the City update their inventory policies to include a procedure for measuring and reporting bulk fuel usage. We also recommend the City remind all employees that adequate supporting documentation is necessary for all payments.

MANAGEMENT RESPONSE: Solid Waste Department prepared a written Bulk Fuel Procedure which is being utilized. The Finance Department will ensure the Solid Waste Department are being followed and implemented for the purpose of tracking bulk fuel received and distributed; and will perform the reconciliation of the logs and fuel statements. Departments will utilize fuel logs and receiving training on verifying purchases, reconciling fuel statements, and completing monthly reports.

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

TIMELINE FOR CORRECTIVE ACTION: Immediately resolved

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

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

2017-005 – Cash Management (Other Noncompliance)

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.

The City has made progress on this finding.

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: 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. The Grant Coordinator and Finance Department will meet regularly to ensure reimbursements are submitted in a timely manner, are in agreement with the accounting records of the City and that the grant matrix files contain all necessary supporting documents.

RESPONSIBLE PARTY/TIMELINE FOR CORRECTIVE ACTION: Finance Director or Grants Coordinator; City Manager – January 1, 2019

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

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

2018-002 RETIREE HEALTH CARE REMITTANCES AND RECORDING (Other Noncompliance)

CONDITION: During our compliance testwork over Retiree Health Care (RHC) contributions, we noted the City used the incorrect number of hours for 1 employee to calculate the required contributions. We noted the City has over reported the amount of Wages subject to RHC resulting in an overpayment to RHC in the amount of \$1,385.29.

CRITERIA: Per the Retiree Health Care Act, 10-7C-1 to 10-7C-19 NMSA 1978, the City is required to report 100% of payroll to RHC. RHC membership is mandatory, unless membership is specifically excluded pursuant to section 10-7C-9D and 10-7C-9E NMSA 1978.

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

CAUSE: An employee retired during the middle of the pay period and their final check was originally calculated using the incorrect number of hours. The City corrected the hours and final check however the hours were not corrected on the RHC calculation.

RECOMMENDATION: We also recommend that management review all reports prepared for RHC prior to submission. We also recommend that payroll processing be reviewed by management to ensure it is correct.

MANAGEMENT RESPONSE: In the past, Payroll has submitted Retiree Health calculations and contributions to Accounts Payable immediately following the completion of the payroll process, but prior to payday. Due to this quick submission time, calculations are sometimes incorrect and not caught until after Accounts Payable has been processed and paid. To avoid another such overpayment, Payroll will allow a grace period after the completion of the payroll process to ensure that no corrections/adjustments need to be made to payroll prior to submitting Retiree Health calculations to A/P. This will allow for any necessary adjustments to be made so that the correct payment will be submitted to NMRHCA within the required deadline.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Payroll Clerk; Finance Director; 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, 2018**

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

2018-003 Procurement Code (Other Noncompliance)

CONDITION: During our procurement testwork we noted the City did not follow proper procurement procedures when it extended the contract for the Golf Course. The original contract had a term of one year. The City paid the vendor \$121,287 for the year ended June 30, 2018 however the City Commission did not approve the contract extension until May 9, 2018, after vendor payments had been made.

CRITERIA: Per the State Procurement Code (Sections 13-1-1 through 13-1-199, NMSA 1978) the City is required to have a proper, approved contract in place prior to paying for services.

EFFECT: The City was in violation of State statutes.

CAUSE: The City was reviewing the Golf Course contract and did not approve the extension before payments were made for the current fiscal year.

AUDITOR'S RECOMMENDATION: The City should review contracts annually to determine if extensions and/or renewals are required. The city should also review contracts to ensure they do not exceed the time allowed by State statutes.

MANAGEMENT RESPONSE: The City intends to terminate the contract with the current golf course management firm which means the City will be taking over all responsibility. This change, upon implementation, will eliminate payments to a contractor.

As of June 2018, the city reorganized the Accounts Receivable and contracts to the Joint Utilities Department which is managed and monitored with a new Accounts Receivable Supervisor. This new position is responsible for reviewing contracts annually, and initiating any extensions or renewals that are required.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: City Manager

TIMELINE FOR CORRECTIVE ACTION: February 1, 2019

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

SECTION V – COMPONENT UNIT FINDINGS

A. FINANCIAL STATEMENT FINDINGS

None Noted

B. SECTION 12-6-5 NMSA 1978 FINDINGS

NM 2018-001 – Travel and Per Diem (Other Noncompliance)

CONDITION: The Authority reimbursed mileage and per diem rates that were in excess of the amounts allowed by state statute in the following amounts:

- In two out of five items tested, the Authority reimbursed mileage at a higher rate than the rate allowed, which resulted in overpayments totaling \$6.58.
- In three out of five items tested, the Authority paid for per diem and a modified per diem (per their policy) which resulted in overpayments of \$306.
- In five out of five items tested, the Authority reimbursed partial day per diem upon return from overnight travel at a rate higher than the allowable rate, which resulted in an overpayment of \$13.

CRITERIA: The Per Diem and Mileage Act, Section 10-8-1 to 10-8-8, NMSA 1978 documents the amounts for various per diem and mileage reimbursements allowable under state statutes.

EFFECT: The Authority did not comply with the Mileage and Per Diem Act and reimbursed more travel expense than is allowed.

CAUSE: The Authority's policy and form calculated per diem at amounts that do not match the Per Diem and Mileage Act. The Authority's form also contained an error which resulted in duplicate inclusion of per diem in two categories.

AUDITOR'S RECOMMENDATION: The Authority should implement a procedure to review all travel and per diem expenditures prior to payment and ensure all reimbursements are in compliance with State Statutes and the Authority's policy.

MANAGEMENT RESPONSE: After consulting with the IPA firm, TCHA is currently upgrading to a newer compliant version of the Travel and Per Diem worksheet as well as keeping informed and up to date on changes via a periodic review of the New Mexico Administrative Code. The Executive Director will be responsible for corrective action on this finding.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

C. FEDERAL AWARD FINDINGS

FA 2017-001 – Internal Controls over Special Test and Provisions – Housing Voucher Cluster – Significant Deficiency (Repeated and Modified)

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: 2017-18

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

- In 2 out of 51 files tested, there was no Housing Quality Standards (“HQS”) Form, or Housing and Urban Development (“HUD”) unit inspection report, retained in the tenant file to document that the unit leased was inspected annually to determine if the unit meets Housing Quality Standards.
- In 2 out of 9 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.

STATUS OF PRIOR YEAR FINDING: The Authority has made progress to clear this finding as there are fewer exceptions noted than in the prior year with regards to controls in this program.

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.

EFFECT: Without internal controls operating effectively, it is possible that the Authority would be at risk to be out of compliance with 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: Authority staff did not realize that HQS inspections would still be necessary for units receiving assistance that were rented from the Authority’s other programs. The Authority also did not document the resolution of 2 HQS failures in the files.

RECOMMENDATION: We recommend the Authority staff receive updated training over the requirements of the program, including document retention in tenant files. We also recommend that the Authority review all current files for appropriate documentation.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

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

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

MANAGEMENT RESPONSE: HCV program management has undergone a staffing change. Currently under new staffing, TCHA will ensure that adequate specialized training will be provided as well as continuing education. Current files are in process of review for appropriate documentation. Periodic file review will be scheduled to maintain quality control and compliance. The Executive Director will be responsible for corrective action on this finding.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

SECTION VI - STATUS OF PRIOR YEAR FINDINGS

<u>Description</u>	<u>Status</u>
<u>Financial Statement Findings</u>	
2016-001 Controls over Travel and Per Diem Disbursements (Other Matter)	Resolved
2016-002 PERA Remittances and Recording (Other Matter)	Resolved
2017-001 Internal Control over Cash Disbursements (Other Matter)	Repeated/Modified
2017-002 Controls Surrounding Payroll Disbursements (Other Matter)	Resolved
2017-003 Chief Procurement Officer (Other Matter)	Resolved
2017-004 Controls Surrounding Cash Receipts (Other Matter)	Repeated/Modified
2017-005 Cash Management (Other Matters)	Repeated/Modified
<u>Component Unit Findings</u>	
FA 2017-001 Internal Controls over Eligibility and Special Tests and Provisions – Housing Voucher Cluster (Significant Deficiency)	Repeated/Modified

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
EXIT CONFERENCE
Year Ended June 30, 2018**

The contents of this report were discussed in the exit conference held on December 14, 2018, with the following in attendance:

Representing the City of Truth or Consequences:

Kathy Clark	Commissioner
Rolf Hechler	Commissioner
Renee Cantin	Interim City Manager
Melissa Torres	Finance Director
Gary Gaylord	Accountant

Representing Pattillo, Brown & Hill:

Chris Garner	CPA, Partner
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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.