

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**



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CITY OF TRUTH OR CONSEQUENCES
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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, 2019

<u>Title</u>	<u>Name</u>
City Commissioner/Mayor.....	Sandy Whitehead
Mayor Pro-Tem.....	Kathy Clark
City Commissioner.....	Rolf Hechler
City Commissioner.....	Paul Baca
City Commissioner.....	George Szigeti
City Manager.....	Morris Madrid
Finance Director.....	Carol Kirkpatrick
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



Independent Auditors' Report

To Brian S. Colón, Esq.
New Mexico State Auditor

City Commission
City of Truth or Consequences

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, 2019, 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

The City's 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 percent, 8 percent, and 0.10 percent, respectively, of the assets, net position, and revenues of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included in the Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

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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, 2019, 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 *Schedules of the City's Proportionate Share of the Net Pension Liability and Net OPEB Liability*, and *Schedules of City 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 the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparisons that collectively comprise the City's basic financial statements. The other schedules required by 2.2.2 NMAC as noted in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC as noted in the table of contents, 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 schedules required by 2.2.2 NMAC as noted in the table of contents, are fairly stated, in all material respects, in relation 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 13, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
December 13, 2019

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BASIC FINANCIAL STATEMENT

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION
June 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash, investments and cash equivalents	\$ 3,464,568	4,595,935	8,060,503	779,882
Investments	697,280	3,439,111	4,136,391	356,017
Receivables:				
Property taxes	15,692	-	15,692	-
Other taxes	796,916	-	796,916	-
Charges for services, net	-	520,530	520,530	-
Due from other governments	129,789	15,954	145,743	15,790
Notes receivable	-	-	-	219,801
Prepaid expenses	-	-	-	26,348
Due from tenants	-	-	-	15,442
Inventory	132,802	764,975	897,777	24,350
Total current assets	5,237,047	9,336,505	14,573,552	1,437,630
Noncurrent assets				
Restricted cash and cash equivalents	640,753	452,385	1,093,138	214,132
Capital assets	21,405,134	34,880,102	56,285,236	9,192,153
Less: Accumulated depreciation	(10,408,477)	(12,797,906)	(23,206,383)	(5,855,745)
Total noncurrent assets	11,637,410	22,534,581	34,171,991	3,550,540
Total assets	16,874,457	31,871,086	48,745,543	4,988,170
DEFERRED OUTFLOWS				
Deferred Outflows - Pension	1,472,324	393,323	1,865,647	472,659
Deferred Outflows - OPEB	85,515	35,732	121,247	13,257
Total deferred outflows	1,557,839	429,055	1,986,894	485,916

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities				
Accounts payable	189,651	801,860	991,511	19,794
Accrued payroll expenses	10,045	9,055	19,100	54,228
Accrued interest	20,970	13,399	34,369	-
Tenant deposit	-	-	-	34,242
Customer deposits	-	255,426	255,426	-
FSS deposits	-	-	-	90,487
Other liabilities	-	-	-	-
Due within one year				
Bonds, notes and loans payable	281,875	439,722	721,597	41,532
Compensated absences	49,163	29,969	79,132	24,654
Total current liabilities	<u>551,704</u>	<u>1,549,431</u>	<u>2,101,135</u>	<u>264,937</u>
Due in more than one year				
Bonds, notes and loans payable	2,897,686	3,961,621	6,859,307	726,689
Compensated absences	98,325	111,040	209,365	-
Accrued landfill closure costs	-	855,151	855,151	-
Net Pension Liability	5,100,667	1,433,124	6,533,791	1,503,496
Net OPEB Liability	2,441,520	1,020,204	3,461,724	622,249
Total noncurrent liabilities	<u>10,538,198</u>	<u>7,381,140</u>	<u>17,919,338</u>	<u>2,852,434</u>
Total liabilities	<u>11,089,902</u>	<u>8,930,571</u>	<u>20,020,473</u>	<u>3,117,371</u>
DEFERRED INFLOWS				
Deferred Inflows - Pension	460,002	60,861	520,863	59,922
Deferred Inflows - OPEB	630,844	263,602	894,446	163,071
Total deferred inflows	<u>1,090,846</u>	<u>324,463</u>	<u>1,415,309</u>	<u>222,993</u>
NET POSITION				
Net investment in capital assets	7,817,096	17,680,853	25,497,949	2,568,187
Restricted for				
Special projects	1,858,897	-	1,858,897	-
Debt service	1,390,982	439,874	1,830,856	-
Capital outlay	509,037	-	509,037	-
Housing assistance payments	-	-	-	-
Committed To				
Subsequent year's expenditures	471,103	-	471,103	-
Unrestricted (Deficit)	(5,795,567)	4,924,380	(871,187)	(434,465)
Total net position	<u>\$ 6,251,548</u>	<u>23,045,107</u>	<u>29,296,655</u>	<u>2,133,722</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, 2019

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	\$ 2,611,793	202,187	571,922	42,586	(1,795,098)	-	(1,795,098)	-
Public safety	2,091,190	60,855	401,537	89,500	(1,539,298)	-	(1,539,298)	-
Public works	960,644	-	207,375	-	(753,269)	-	(753,269)	-
Culture and recreation	726,036	15,712	15,612	-	(694,712)	-	(694,712)	-
Health and welfare	106,311	-	-	-	(106,311)	-	(106,311)	-
Capital Outlay	35,467	-	-	-	(35,467)	-	(35,467)	-
Interest on long-term debt	140,862	-	-	-	(140,862)	-	(140,862)	-
Total governmental activities	<u>6,672,303</u>	<u>278,754</u>	<u>1,196,446</u>	<u>132,086</u>	<u>(5,065,017)</u>	<u>-</u>	<u>(5,065,017)</u>	<u>-</u>
Business-Type Activities								
Joint utility office	506,182	78,658	-	-	-	(427,524)	(427,524)	-
Electric	4,811,539	6,258,289	-	-	-	1,446,750	1,446,750	-
Water	854,446	900,307	-	-	-	45,861	45,861	-
WWTP	977,900	1,029,704	-	-	-	51,804	51,804	-
Airport	344,921	156,119	131,915	-	-	(56,887)	(56,887)	-
Solid Waste	1,485,891	1,614,918	-	-	-	129,027	129,027	-
Impact Fees	30,000	4,200	-	-	-	(25,800)	(25,800)	-
Cemetery	8,711	9,710	-	-	-	999	999	-
Golf Course	115,665	14,822	-	-	-	(100,843)	(100,843)	-
Total business-type activities	<u>9,135,255</u>	<u>10,066,727</u>	<u>131,915</u>	<u>-</u>	<u>-</u>	<u>1,063,387</u>	<u>1,063,387</u>	<u>-</u>
Total primary government	<u>\$ 15,807,558</u>	<u>10,345,481</u>	<u>1,328,361</u>	<u>132,086</u>	<u>(5,065,017)</u>	<u>1,063,387</u>	<u>(4,001,630)</u>	<u>-</u>
Component Unit								
Housing Authority	<u>\$ 2,171,596</u>	<u>556,345</u>	<u>1,512,766</u>	<u>181,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,987</u>
General revenues and transfers								
Taxes								
Property taxes					\$ 152,415	-	152,415	-
Gross receipts tax					4,397,189	676,985	5,074,174	-
Gasoline and motor vehicle taxes					86,246	-	86,246	-
Other taxes					373,882	-	373,882	-
Miscellaneous revenue					61,002	43,861	104,863	8,063
Transfers					1,097,435	(1,097,435)	-	-
Unrestricted investment earnings					17,922	49,893	67,815	(66,673)
Gain (loss) on disposition of assets					-	-	-	530
Total general revenues and transfers					<u>6,186,091</u>	<u>(326,696)</u>	<u>5,859,395</u>	<u>(58,080)</u>
Change in net position					<u>1,121,074</u>	<u>736,691</u>	<u>1,857,765</u>	<u>20,907</u>
Net Position - beginning					<u>5,130,474</u>	<u>22,308,416</u>	<u>27,438,890</u>	<u>2,112,815</u>
Net position, ending					<u>\$ 6,251,548</u>	<u>23,045,107</u>	<u>29,296,655</u>	<u>2,133,722</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019**

	General Fund 100	Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, investments and cash equivalents	\$ 910,263	93,064	2,385,675	3,389,002
Restricted cash and cash equivalents	-	640,753	-	640,753
Investments	104,169	593,111	-	697,280
Receivables:				
Property taxes	15,692	-	-	15,692
Other taxes	699,276	64,054	33,586	796,916
Due from other governments	40,820	-	-	40,820
Miscellaneous receivables	88,969	-	-	88,969
Inventory	84,749	-	48,053	132,802
Total assets	\$ 1,943,938	1,390,982	2,467,314	5,802,234
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 103,099	-	86,552	189,651
Accrued payroll expenses	9,803	-	242	10,045
Total liabilities	112,902	-	86,794	199,696
DEFERRED INFLOWS				
Property taxes	7,404	-	-	7,404
Total deferred inflows	7,404	-	-	7,404
FUND BALANCES				
Nonspendable:				
Inventory	84,749	-	48,053	132,802
Restricted to:				
Public safety	-	-	195,961	195,961
Culture and recreation	-	-	440,455	440,455
Transportation and roads	-	-	476,528	476,528
Fire protection	-	-	692,598	692,598
Veteran's Wall	-	-	53,355	53,355
Debt service expenditures	-	1,390,982	-	1,390,982
Capital projects	35,467	-	473,570	509,037
Committed to:				
Subsequent year's expenditures	471,103	-	-	471,103
Unassigned	1,232,313	-	-	1,232,313
Total fund balances	1,823,632	1,390,982	2,380,520	5,595,134
Total liabilities, deferred inflows and fund balances	\$ 1,943,938	1,390,982	2,467,314	5,802,234

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, 2019**

Total Fund Balance Governmental Funds Governmental Funds Balance Sheet	<u>Governmental Activities</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 5,595,134
Residual balance of Internal Service Funds are included within the governmental activities but not reported within the governmental funds.	75,566
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,996,657
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.	7,404
Defined benefit pension plan and other post employment benefit deferred outflows are not financial resources and, therefore, are not reported in the funds.	1,557,839
Some revenues will not be available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the governmental funds.	(1,090,846)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest	(20,970)
Compensated absences	(147,488)
Bonds and notes payable	(3,179,561)
Net Pension liability	(5,100,667)
Net OPEB Liability	<u>(2,441,520)</u>
Total long-term and other liabilities	<u>(10,890,206)</u>
 Net position of governmental activities (Statement of Net Position)	 <u><u>\$ 6,251,548</u></u>

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, 2019**

	General Fund 100	Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 178,681	\$ -	\$ -	\$ 178,681
Gross receipts	3,682,712	369,266	345,211	4,397,189
Gasoline and motor vehicle	-	-	86,246	86,246
Other	49,205	-	324,677	373,882
Intergovernmental				
Federal capital grants	19,500	-	89,500	109,000
State capital grants	-	23,086	-	23,086
State operating grants	514,442	-	682,004	1,196,446
Charges for services	58,491	-	136,635	195,126
Licenses and fees	83,628	-	-	83,628
Investment income	3,181	13,682	1,059	17,922
Miscellaneous	56,643	-	4,359	61,002
Total revenues	4,646,483	406,034	1,669,691	6,722,208
Expenditures				
Current				
General government	2,171,984	405	362,442	2,534,831
Public safety	1,839,849	-	187,652	2,027,501
Public works	710,084	-	221,305	931,389
Culture and recreation	432,151	-	271,707	703,858
Health and welfare	103,072	-	-	103,072
Capital outlay	35,467	-	533,294	568,761
Debt service				
Principal	-	253,917	-	253,917
Interest	-	133,291	-	133,291
Total expenditures	5,292,607	387,613	1,576,400	7,256,620
Excess (deficiency) of revenues over (under) expenditures before other financings sources (uses)	(646,124)	18,421	93,291	(534,412)
Other Financing Sources (Uses)				
Loan proceeds	-	103,054	-	103,054
Transfers, in	1,470,437	87,154	380,689	1,938,280
Transfers, out	(538,028)	(116,205)	(186,612)	(840,845)
Total other financing sources (uses)	932,409	74,003	194,077	1,200,489
Net change in fund balances	286,285	92,424	287,368	666,077
Fund balances, beginning of year	1,537,347	1,298,558	2,093,152	4,929,057
Fund balances, end of year	\$ 1,823,632	\$ 1,390,982	\$ 2,380,520	\$ 5,595,134

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, 2019**

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

\$ 666,077

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

Change in net position of internal service funds 4,953

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 expenditures	1,054,154	
Depreciation expense	<u>(415,262)</u>	638,892

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 (26,266)

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	(273,574)
OPEB expense	(34,825)

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	150,863
Change in compensated absences	2,525
Change in accrued interest on long-term debt	<u>(7,571)</u>

Change in net position in governmental activities

\$ 1,121,074

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, 2019

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 178,000	181,570	178,681	(2,889)
Gross Receipts	1,973,000	1,983,480	2,845,359	861,879
Other	8,050	-	49,205	49,205
Intergovernmental income:				
Federal grants	-	-	19,500	19,500
State operating grant	272,300	271,881	514,442	242,561
Charges for services	54,125	54,125	58,491	4,366
Licenses and fees	115,900	42,700	83,628	40,928
Investment earnings	700	700	3,181	2,481
Miscellaneous	6,025	6,025	56,643	50,618
Total revenues	<u>2,608,100</u>	<u>2,540,481</u>	<u>3,809,130</u>	<u>1,268,649</u>
Expenditures				
Current				
General government	1,516,393	1,505,939	2,059,082	(553,143)
Public safety	2,115,721	2,084,559	1,839,849	244,710
Public works	895,899	905,962	710,084	195,878
Culture and recreation	491,172	488,798	432,151	56,647
Health and welfare	233,813	224,423	103,072	121,351
Capital outlay	34,000	34,000	35,467	(1,467)
Total expenditures	<u>5,286,998</u>	<u>5,243,681</u>	<u>5,179,705</u>	<u>63,976</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)				
	<u>(2,678,898)</u>	<u>(2,703,200)</u>	<u>(1,370,575)</u>	<u>1,332,625</u>
Other Financing Sources (Uses)				
Transfers, in	5,131,888	5,335,317	1,470,437	(3,864,880)
Transfers, out	<u>(5,805,799)</u>	<u>(5,744,258)</u>	<u>(538,028)</u>	<u>5,206,230</u>
Total other financing sources (uses)	<u>(673,911)</u>	<u>(408,941)</u>	<u>932,409</u>	<u>1,341,350</u>
Net change in fund balances	<u><u>(3,352,809)</u></u>	<u><u>(3,112,141)</u></u>	<u>(438,166)</u>	<u><u>2,673,975</u></u>
Net change in fund balance (non-GAAP budgetary basis)			(438,166)	
Adjustments to revenues			837,353	
Adjustments to expenditures			<u>(112,902)</u>	
Net change in fund balance (GAAP)			<u>\$ 286,285</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2019

ASSETS	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
Current Assets				
Cash and cash equivalents	\$ 778,395	1,206,399	522,012	609,467
Investments	1,036,547	1,424,801	273,526	103,658
Receivables				
Charges for services	-	253,618	57,198	55,021
Due from other government	-	-	-	-
Miscellaneous receivables	-	-	-	-
Due from other funds	33,220	4,874	-	-
Inventory	-	418,390	149,597	58,870
Total current assets	<u>1,848,162</u>	<u>3,308,082</u>	<u>1,002,333</u>	<u>827,016</u>
Noncurrent Assets				
Restricted cash and cash equivalents	-	182,988	157,080	-
Restricted investment	-	-	-	-
Capital assets	339,513	5,344,991	4,964,930	12,645,874
Less accumulated depreciation	(209,872)	(2,900,988)	(2,087,698)	(3,633,570)
Total noncurrent assets	<u>129,641</u>	<u>2,626,991</u>	<u>3,034,312</u>	<u>9,012,304</u>
Total assets	<u>1,977,803</u>	<u>5,935,073</u>	<u>4,036,645</u>	<u>9,839,320</u>
DEFERRED OUTFLOWS - PENSION RELATED	51,594	92,155	58,378	65,549
DEFERRED OUTFLOWS - OPEB RELATED	4,687	8,372	5,304	5,955
Total Deferred Outflows	<u>56,281</u>	<u>100,527</u>	<u>63,682</u>	<u>71,504</u>
LIABILITIES				
Current Liabilities				
Accounts payable	1,026	399,809	18,311	35,333
Accrued payroll expenses	-	8,407	-	-
Accrued compensated absences	2,963	10,873	2,530	5,396
Customer deposits	1,450	237,412	15,390	1,014
Accrued interest	-	-	13,399	-
Due to other funds	-	-	18,143	3,119
Current portion of long-term debt	-	96,976	178,849	74,049
Total current liabilities	<u>5,439</u>	<u>753,477</u>	<u>246,622</u>	<u>118,911</u>
Non-Current Liabilities				
Accrued compensated absences	17,012	50,116	4,823	4,730
Accrued landfill closure costs	-	-	-	-
Bonds, notes and loans	-	429,310	609,400	2,307,759
Net pension liability	187,989	335,780	212,708	238,837
Net OPEB Liability	133,825	239,033	151,421	170,022
Total non-current liabilities	<u>338,826</u>	<u>1,054,239</u>	<u>978,352</u>	<u>2,721,348</u>
Total liabilities	<u>344,265</u>	<u>1,807,716</u>	<u>1,224,974</u>	<u>2,840,259</u>
DEFERRED INFLOWS - PENSION RELATED	7,983	14,260	9,033	10,143
DEFERRED INFLOWS - OPEB RELATED	34,578	61,762	39,124	43,931
Total deferred inflows	<u>42,561</u>	<u>76,022</u>	<u>48,157</u>	<u>54,074</u>
NET POSITION				
Net investment in capital assets	129,641	1,917,717	2,088,983	6,630,496
Restricted for debt service	-	96,976	178,849	74,049
Unrestricted (Deficit)	1,517,617	2,137,169	559,364	311,946
Total net position	<u>1,647,258</u>	<u>4,151,862</u>	<u>2,827,196</u>	<u>7,016,491</u>
Total net position	<u>\$ 1,647,258</u>	<u>4,151,862</u>	<u>2,827,196</u>	<u>7,016,491</u>

See Notes to Financial Statements.

Business Type Activities					Governmental Activities	
Airport Fund 509	Solid Waste Fund 505/507	Impact Fees 301	Other Enterprise Fund	Total	Internal Service Fund 600	
106,756	1,285,240	4,438	\$ 83,228	4,595,935	\$	75,566
-	499,474	101,105	-	3,439,111		-
59,885	94,808	-	-	520,530		-
-	-	-	-	-		-
-	15,954	-	-	15,954		-
-	23,160	-	-	61,254		-
102,371	35,747	-	-	764,975		-
<u>269,012</u>	<u>1,954,383</u>	<u>105,543</u>	<u>83,228</u>	<u>9,397,759</u>		<u>75,566</u>
-	-	112,317	-	452,385		-
-	-	-	-	-		-
6,171,128	4,152,642	-	1,261,024	34,880,102		-
(1,471,732)	(1,974,863)	-	(519,183)	(12,797,906)		-
<u>4,699,396</u>	<u>2,177,779</u>	<u>112,317</u>	<u>741,841</u>	<u>22,534,581</u>		<u>-</u>
<u>4,968,408</u>	<u>4,132,162</u>	<u>217,860</u>	<u>825,069</u>	<u>31,932,340</u>		<u>75,566</u>
20,677	104,970	-	-	393,323		-
1,878	9,536	-	-	35,732		-
<u>22,555</u>	<u>114,506</u>	<u>-</u>	<u>-</u>	<u>429,055</u>		<u>-</u>
100,414	246,790	-	177	801,860		-
-	648	-	-	9,055		-
734	7,473	-	-	29,969		-
-	160	-	-	255,426		-
-	-	-	-	13,399		-
3,658	36,334	-	-	61,254		-
-	90,000	-	-	439,874		-
<u>104,806</u>	<u>381,405</u>	<u>-</u>	<u>177</u>	<u>1,610,837</u>		<u>-</u>
1,467	32,892	-	-	111,040		-
-	855,151	-	-	855,151		-
-	615,000	-	-	3,961,469		-
75,338	382,472	-	-	1,433,124		-
53,631	272,272	-	-	1,020,204		-
<u>130,436</u>	<u>2,157,787</u>	<u>-</u>	<u>-</u>	<u>7,380,988</u>		<u>-</u>
<u>235,242</u>	<u>2,539,192</u>	<u>-</u>	<u>177</u>	<u>8,991,825</u>		<u>-</u>
3,199	16,243	-	-	60,861		-
13,857	70,350	-	-	263,602		-
<u>17,056</u>	<u>86,593</u>	<u>-</u>	<u>-</u>	<u>324,463</u>		<u>-</u>
4,699,396	1,472,779	-	741,841	17,680,853		-
-	90,000	-	-	439,874		-
39,269	58,104	217,860	83,051	4,924,380		75,566
<u>4,738,665</u>	<u>1,620,883</u>	<u>217,860</u>	<u>824,892</u>	<u>23,045,107</u>		<u>75,566</u>
<u>4,738,665</u>	<u>1,620,883</u>	<u>217,860</u>	<u>\$ 824,892</u>	<u>23,045,107</u>	<u>\$</u>	<u>75,566</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, 2019

	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
Operating Revenues				
Charges for Services	\$ 58,658	6,278,289	900,307	1,029,704
Total operating revenues	58,658	6,278,289	900,307	1,029,704
Operating Expenses				
General operating	190,879	4,138,476	328,558	338,983
Personnel services	308,049	395,061	262,823	264,870
Depreciation	3,227	176,045	101,388	221,200
Utilities	4,027	77,858	121,008	124,912
Total operating expenses	506,182	4,787,440	813,777	949,965
Operation income (loss)	(447,524)	1,490,849	86,530	79,739
Non-Operating Revenues (Expenses)				
Interest expense	-	(24,099)	(40,669)	(27,935)
Investment earnings	6,897	24,170	5,696	1,161
Gross receipts tax	-	429,178	37,267	47,842
Miscellaneous income	-	23,463	613	-
Grant income	-	-	-	-
Total non-operating revenue (expenses)	6,897	452,712	2,907	21,068
Income (loss) before contributions and transfers	(440,627)	1,943,561	89,437	100,807
Capital contributions from governmental activities	-	-	-	-
Transfers, in	505,941	237,761	620,500	102,016
Transfers, out	(33,318)	(1,776,719)	(563,653)	(242,811)
Change in net position	31,996	404,603	146,284	(39,988)
Net Position, beginning	1,615,262	3,747,259	2,680,912	7,056,479
Net position, end of year	\$ 1,647,258	4,151,862	2,827,196	7,016,491

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		
156,119	1,614,918	4,200	24,532	\$ 10,066,727	\$ 15,896
156,119	1,614,918	4,200	24,532	10,066,727	15,896
133,032	845,124	30,000	105,669	6,110,721	10,943
91,042	515,738	-	-	1,837,583	-
106,536	77,386	-	8,933	694,715	-
14,311	16,438	-	9,774	368,328	-
344,921	1,454,686	30,000	124,376	9,011,347	10,943
(188,802)	160,232	(25,800)	(99,844)	1,055,380	4,953
-	(31,205)	-	-	(123,908)	-
17	11,479	434	39	49,893	-
-	162,698	-	-	676,985	-
-	-	-	19,785	43,861	-
131,915	-	-	-	131,915	-
131,932	142,972	434	19,824	778,746	-
(56,870)	303,204	(25,366)	(80,020)	1,834,126	4,953
-	-	-	-	-	-
390,646	140,545	-	120,000	2,117,409	-
(246,646)	(351,697)	-	-	(3,214,844)	-
87,130	92,052	(25,366)	39,980	736,691	4,953
4,651,535	1,528,831	243,226	784,912	22,308,416	70,613
4,738,665	1,620,883	217,860	824,892	\$ 23,045,107	\$ 75,566

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2019**

	Joint Utility Office	Electric	Water	WWTP
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 100,694	6,486,858	1,226,937	1,124,706
Cash paid for vendors and employees	(542,743)	(4,722,483)	(999,382)	(795,706)
Net cash provided (used) by operating activities	(442,049)	1,764,375	227,555	329,000
Cash flows from noncapital financing activities				
Government contributions	-	-	-	-
Gross receipts taxes	-	429,178	37,267	47,842
Miscellaneous income	-	23,463	613	-
Landfill closure costs	-	-	-	-
Transfers	472,623	(1,538,958)	56,847	(140,795)
Net cash provided (used) by noncapital financing activities	472,623	(1,086,317)	94,727	(92,953)
Cash Flows from Investing Activities				
Purchases of investments	(5,167)	(20,054)	(956)	(517)
Interest on investments	6,897	24,170	5,696	(26,774)
Net cash (used) provided by investing activities	1,730	4,116	4,740	(27,291)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	40,583	(490,756)	(69,528)	(160,431)
Capital contributions from governmental activities	-	-	-	-
Interest paid	-	(24,099)	(40,669)	-
Proceeds from issuance of long-term debt	-	-	-	-
Principal payments on bonds, loans and notes payable	-	(93,322)	(174,744)	(73,230)
Net cash provided (used) by capital and related financing activities	40,583	(608,177)	(284,941)	(233,661)
Net increase (decrease) in cash and cash equivalents	72,887	73,997	42,081	(24,905)
Cash and cash equivalents, beginning of year	705,508	1,315,390	637,011	634,372
Cash and cash equivalents, end of year	\$ 778,395	1,389,387	679,092	609,467
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (447,524)	1,490,849	86,530	79,739
Noncash items				
Depreciation expense	3,227	176,045	101,388	221,200
PERA pension plan expense	3,444	6,153	3,898	4,377
RHC OPEB plan expense	(11,676)	(20,857)	(13,213)	(14,835)
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	-	73,611	261,394	59,713
Inventory	-	(44,765)	16,012	2,040
Accounts payable	(2,159)	34,791	(248,067)	(5,907)
Accrued payroll expenses	-	2,421	-	-
Accrued compensated absences	8,889	32,619	-	-
Accrued landfill closure costs	-	-	-	-
Due to/from other funds	3,750	(4,874)	17,488	(17,227)
Meter deposits	-	18,382	2,125	(100)
Net cash provided (used) by operating activities	\$ (442,049)	1,764,375	227,555	329,000

See Notes to Financial Statements.

Airport Fund	Solid Waste Fund	Impact Fees	Business Type Activities		Total	Governmental Activities	
			Other Enterprise Fund			Internal Service Fund	
339,077	2,742,031	4,200	24,532		12,049,035	15,896	
(286,995)	(2,323,304)	(30,000)	(129,327)		(9,829,940)	(10,943)	
52,082	418,727	(25,800)	(104,795)		2,219,095	4,953	
131,915	-	-	-		131,915	-	
-	162,698	-	-		676,985	-	
-	-	-	19,824		43,900	-	
-	(52,842)	-	-		(52,842)	-	
144,000	(211,152)	-	120,000		(1,097,435)	-	
275,915	(101,296)	-	139,824		(297,477)	-	
-	(9,341)	(353)	-		(36,388)	-	
17	11,479	434	-		21,919	-	
17	2,138	81	-		(14,469)	-	
(237,971)	52,842	-	-		(865,261)	-	
-	-	-	-		-	-	
-	(31,205)	-	-		(95,973)	-	
-	-	-	-		-	-	
-	(85,000)	-	-		(426,296)	-	
(237,971)	(63,363)	-	-		(1,387,530)	-	
90,043	256,206	(25,719)	35,029		519,619	4,953	
16,713	1,029,034	142,474	48,199		4,528,701	70,613	
106,756	1,285,240	116,755	83,228		5,048,320	75,566	
(188,802)	160,232	(25,800)	(99,844)		1,055,380	4,953	
106,536	77,386	-	8,933		694,715	-	
1,380	7,008	-	-		26,260	-	
(4,679)	(23,759)	-	-		(89,019)	-	
-	-	-	-		-	-	
70,207	(7,431)	-	-		457,494	-	
(34,823)	(386)	-	-		(61,922)	-	
100,414	194,778	-	(12,470)		61,380	-	
-	855,151	-	-		857,572	-	
993	22,419	-	-		64,920	-	
-	(868,192)	-	-		(868,192)	-	
856	1,421	-	(1,414)		-	-	
-	100	-	-		20,507	-	
52,082	418,727	(25,800)	(104,795)		2,219,095	4,953	

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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, 2019**

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, 2019

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, 2019

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
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NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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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June 30, 2019**

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
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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.

**STATE OF NEW MEXICO
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June 30, 2019**

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
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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, 2019**

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, 2019, 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, 2019.

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
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June 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2019, the City had the following deposits and investments:

Demand deposits	\$	8,172,820
Certificates of deposit		2,781,785
State Treasurer's LGIP		1,354,606
Cash with fiscal Agent		<u>980,821</u>
Total	\$	<u>13,290,032</u>
Governmental funds	\$	4,802,601
Proprietary funds		<u>8,487,431</u>
Total	\$	<u>13,290,032</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, 2019. 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	112 days WAM(F)	1,354,606	AAAM
		<u>\$ 1,354,606</u>	

*Based off Moody's rating

In addition to the investment in LGIP above there are \$2,871,785 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
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June 30, 2019**

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, 2019 the LGIP WAM (R) was 35 days and WAM (F) was 112 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, 2019, \$0 of the City’s bank balances of \$11,419,478, 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	\$ 8,637,693
Certificates of Deposit	<u>2,781,785</u>
Total on Deposit	11,419,478
Less: FDIC insurance	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 11,169,478</u>
Pledged Collateral Required:	
50% on deposits	\$ 5,584,739
Pledged Collateral at June 30, 2019	<u>11,638,417</u>
Excess (Deficiency)	<u>\$ 6,053,678</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, 2019, \$545,231 of the Housing Authority’s bank balance of \$1,331,114 was exposed to custodial credit risk. Although the \$545,231 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

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uninsured and uncollateralized at June 30, 2019.

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, 2019:

Investment in	Investment Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
New Mexico LGIP	\$ 1,354,606	-	-	1,354,606
Total	\$ 1,354,606	-	-	1,354,606

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June 30, 2019**

NOTE 4. RECEIVABLES

Governmental receivables as of June 30, 2019 are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 15,692	-	-	15,692
Other taxes:				
Gross receipts taxes	681,162	64,054	-	745,216
Franchise and lodgers taxes	13,879	-	33,586	47,465
Gasoline taxes	4,235	-	-	4,235
Grants receivables	40,820	-	-	40,820
Other receivables	88,969	-	-	88,969
Total	\$ 844,757	64,054	33,586	942,397

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, 2019. 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, 2019.

Proprietary fund receivables as of June 30, 2019 are as follows:

	<u>Major Enterprise Funds</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Charges for services	\$ 961,057	-	961,057
Less: Allowance for uncollectible accounts	(440,527)	-	(440,527)
Other Receivables	15,954	-	15,954
Totals	\$ 536,484	-	536,484

Component Unit

As of June 30, 2019, the Housing Authority had the following receivables:

Tenant receivables	\$ 16,151
Allowance for doubtful accounts - tenants	(709)
Grants receivable	15,790
Notes receivable	219,801
Total	<u>\$ 251,033</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.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

Governmental Activities	Balance June 30, 2018	Additions	Transfers	Deletions	Balance June 30, 2019
Non-Depreciable Assets					
Land	\$ 3,461,698	392,206	-	-	3,853,904
Construction in progress	149,911	-	-	(149,911)	-
Total non-depreciable assets	3,611,609	-	392,206	(149,911)	3,853,904
Depreciable Assets					
Buildings and improvements	9,252,527	97,268	-	-	9,349,795
Land Improvements	-	144,511	-	-	144,511
Equipment	2,458,212	35,467	-	(5,441)	2,488,238
Infrastructure	2,569,735	142,191	-	-	2,711,926
Vehicles	2,519,558	319,145	27,325	(9,268)	2,856,760
Total depreciable assets	16,800,032	738,582	27,325	(14,709)	17,551,230
Accumulated Depreciation					
Building and improvements	(5,097,031)	(157,873)	-	-	(5,254,905)
Land Improvements	-	(2,382)	-	-	(2,382)
Equipment	(2,049,327)	(70,000)	-	5,441	(2,113,926)
Infrastructure	(642,061)	(91,305)	-	-	(733,366)
Vehicles	(2,181,929)	(93,702)	(18,999)	(9,268)	(2,303,898)
Total Accumulated Depreciation	(9,970,389)	(415,262)	(45,696)	22,870	(10,408,477)
Governmental Capital Assets, net	\$ 10,441,252	323,320	373,835	(141,750)	10,996,657

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

Governmental Activities:	
General Government	\$ 155,973
Public safety	139,741
Public works	64,200
Public health and welfare	7,105
Culture and recreation	48,243
	<u>\$ 415,262</u>

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CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance June 30, 2018	Additions	Transfer	Deletions	Balance June 30, 2019
Non-depreciable assets:					
Land	\$ 2,623,071	-	-	-	2,623,071
Construction in progress	2,356,856	80,827	(1,085,337)	-	1,352,346
Total non-depreciable assets	4,979,927	80,827	(1,085,337)	-	3,975,417
Depreciable assets:					
Building improvements	3,311,457	1,681,438	-	-	4,992,895
Utility plant	18,499,592	179,300	-	-	18,678,892
Equipment	4,259,466	-	-	(98,286)	4,161,180
Vehicles	2,911,315	187,727	(27,325)	-	3,071,717
Total depreciable assets	28,981,830	2,048,465	(27,325)	(98,286)	30,904,684
Accumulated depreciation:					
Building and improvements	(1,436,332)	(79,351)	-	-	(1,515,683)
Utility plant	(5,140,271)	(447,238)	-	-	(5,587,509)
Equipment	(3,463,785)	(68,542)	-	19,335	(3,512,992)
Vehicles	(2,062,561)	(99,584)	-	(19,577)	(2,181,722)
Total accumulated depreciation	(12,102,949)	(694,715)	-	(242)	(12,797,906)
Business-type activities capital assets, net	\$ 21,858,808	1,434,577	(1,112,662)	(98,528)	22,082,195

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

Business-Type Activities:	
Joint Utility Fund	\$ 3,227
Electric	176,045
Water	101,388
WWTP	221,200
Airport	106,536
Solid Waste	77,386
Golf Course Fund	8,811
Cemetery Fund	122
	<u>\$ 694,715</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. CAPITAL ASSETS (CONTINUED)

The following summarizes changes in capital assets activity for the Authority during fiscal year 2019.

Component Unit	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital assets not being depreciation:					
Land	\$ 637,536	-	-	-	637,536
Construction in progress	156,084	-	-	-	156,084
Total capital assets not being depreciated	793,620	-	-	-	793,620
Depreciable assets:					
Land improvements	631,742	178,517	-	(42,045)	768,214
Buildings and improvements	6,763,906	22,550	-	-	6,786,456
Dwelling equipment	257,226	-	22,823	48,925	283,328
Non-dwelling equipment	493,425	73,990	-	(6,880)	560,535
Total depreciable assets	8,146,299	275,057	22,823	-	8,398,533
Accumulated depreciation:					
Land improvements	565,736	28,705	-	-	594,441
Buildings and improvements	4,466,111	100,808	-	-	4,566,919
Dwelling equipment	242,937	(346)	23,353	-	219,258
Non-dwelling equipment	446,407	28,740	-	-	475,147
Total accumulated depreciation	5,721,191	157,907	23,353	-	5,855,745
Component unit capital assets, net	\$ 3,218,728	117,150	(530)	-	3,336,408

Depreciation expense for the year ended June 30, 2019 totaled \$157,907 for the Authority.

In the Financial Data Schedule, the Construction in Progress category contains \$89,532 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, 2019**

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers and advances consisted of the following as of June 30, 2019:

TRANSFERS

Governmental Funds	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 1,470,437	538,028
Corrections Fund	25,000	-
Lodgers Tax	-	105,000
Municipal Street	-	-
Recreation Fund	42,000	-
Municipal Pool	195,000	-
PD GRT	88,189	45,612
Veteran's Wall	16,000	16,000
CI Gen	12,000	-
Golf Course Improvements	-	-
Emergency	2,500	-
CBDG	-	-
Pledge State	87,154	116,205
Debt Service	-	-
Senior Grants	-	20,000
Business-Type Funds		
Joint Utility Office	505,941	33,318
Electric Fund	237,761	1,776,719
Water Fund	620,500	563,653
WWTP	102,016	242,811
Solid Waste Fund	140,545	351,697
Impact Fees	-	-
Golf Course	120,000	-
Cemetery	-	-
Municipal Airport	390,646	246,646
Net Transfers	\$ <u>4,055,689</u>	<u>4,055,689</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, 2019**

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, 2019 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, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance			Balance	Due
	6/30/2018	Additions	Retirements	6/30/2019	Within
					One Year
Police Department					
Building	\$ 133,886	-	(13,593)	100,293	13,761
Recreational Loan	1,666,595	-	(122,224)	1,544,371	126,839
Streets Loan	1,406,542	-	(95,877)	1,310,665	98,677
NMFA Fire Pumper	142,622	-	(22,223)	120,399	22,517
Law Enforcement	-	103,833	-	103,833	20,081
Equipment					
Total Notes Payable	3,329,645	103,833	(253,917)	3,179,561	281,875
Compensated Absences	246,701	201,703	(300,916)	147,488	49,163
Total Long-term debt	\$ 3,576,346	305,536	(554,833)	3,327,049	331,038

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
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June 30, 2019**

NOTE 7. LONG-TERM DEBT (CONTINUED)

note matures on May 1, 2029, and accrues interest at 4.342% per annum. The proceeds of the loan were used for the refinancing of the 1996 Improvement Bonds and for improvements at existing municipal buildings and recreation facilities. The payment of principal and interest are paid from pledged state shared gross receipts tax revenue.

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

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

On June 28, 2018, the City borrowed \$103,833 from the New Mexico Finance Authority. The note matures on 7/1/2029, and has available interest at a rate of .099%. The proceeds of the loan were used for acquiring law enforcement equipment. The payments of principal and interest are paid from pledged GRT.

The annual requirements to amortize the governmental activities debt as of June 30, 2019, including interest payments, are as follows:

Year Ending June, 30	Principal	Interest	Admin Fees	Total Requirements
2020	\$ 281,875	125,471	348	407,694
2021	291,636	116,707	291	408,631
2022	306,393	106,985	257	413,635
2023	311,534	96,904	193	408,631
2024	322,057	86,130	134	408,320
2025-2029	1,521,796	243,199	111	1,765,106
2030	144,270	6,362	-	150,632
	<u>\$ 3,179,561</u>	<u>781,755</u>	<u>1,334</u>	<u>3,962,650</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:

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7. LONG-TERM DEBT (CONTINUED)

	<u>Years of Service</u>	<u>Hours Per Pay Period</u>	<u>Working Days Per Year</u>
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)

Business-Type Activities

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2019</u>	<u>Due Within One Year</u>
Revenue Bonds					
Series 2012 Solid					
Waste Revenue	\$ 790,000	-	(85,000)	705,000	90,000
Total Revenue Bonds	790,000	-	(85,000)	705,000	90,000
Loans Payable					
Water Tank Loan	342,996	-	(111,439)	231,557	114,304
Elec Upgrade Loan	619,608	-	(93,322)	526,286	96,976
NMFA	167,850	-	(12,719)	155,131	12,751
NMFA	116,019	-	(8,287)	107,732	8,287
NMFA TorC 19 (15%)	160,381	-	(8,915)	151,466	9,059
NMFA TorC 19 (85%)	908,826	-	(50,517)	858,309	51,336
PER/Asset Mgmt Plan	49,705	-	(3,256)	46,449	3,264
Waste Water Project	61,537	-	(3,846)	57,691	3,846
Design/Construction					
Phase 2	65,730	-	(3,867)	61,863	3,867
NMED	-	-	-	-	-
NMED	126,044	-	(30,130)	95,914	31,032
USDA Debt	881,000	-	(15,000)	866,000	15,000
Cobank Debt	537,945	-	-	537,945	-
Total Loans Payable	4,037,641	-	(341,298)	3,696,343	349,722
Compensated					
Absences	76,090	159,471	(94,552)	141,009	29,969
Total Long-term debt	\$ 4,903,731	159,471	(520,850)	4,542,352	379,691

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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.

Revenue Bonds

The annual requirements to amortize the revenue bonds as of June 30, 2019, including interest payments, are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
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	105,000	12,838	117,838
2025-2027	220,000	13,035	233,035
Total \$	705,000	115,342	820,342

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.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. LONG-TERM DEBT (CONTINUED)

On August 17, 2012, the City borrowed \$1,424,865 from the New Mexico Finance Authority. The note matures on May 1, 2033, with 3.00% interest rate with an administrative fee component of ¼ of 1%. The proceeds of the loan were used to refinance Revenue Bonds 95, 96, and 98. The payments of principal and interest are paid from net revenues from the City's utility system.

On October 1, 2012, the City borrowed \$165,741 from the New Mexico Finance Authority. The note matures on May 1, 2032, with 0% interest rate with an administrative fee component of ¼ of 1%. The proceeds of the loan were used for water storage tanks. The payments of principal and interest are paid from net revenues from the City's utility system.

On March 21, 2014, the City borrowed \$64,000 from the New Mexico Finance Authority. The note matures on June 1, 2033, with 0.25% interest rate. The proceeds of the loan were used for a project for storage, conveyance, or delivery of water to end users. The payments of principal and interest are paid 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, 2019, including interest payments, are as follows:

Year Ending June, 30	Principal	Interest	Admin Fees	Total Requirements
2020	\$ 887,667	79,736	1,895	969,297
2021	359,661	71,004	1,366	432,032
2022	248,873	61,707	821	311,401
2023	221,885	54,698	559	277,142
2024	229,287	48,220	285	277,792
2025-2029	611,166	180,882	-	792,048
2030-2034	535,939	105,088	-	641,027
2035-2039	114,865	62,391	-	177,256
2040-2044	124,000	49,318	-	173,318
2045-2049	139,000	34,693	-	173,693
2050-2054	155,000	18,359	-	173,359
2055-2058	69,000	2,362	-	71,362
	<u>\$ 3,696,343</u>	<u>768,459</u>	<u>4,926</u>	<u>4,469,727</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
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NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Component Unit

The following summarizes changes in long-term liability activity during fiscal year 2019:

	Balance 6/30/2018	Additions	Retirements	Balance 6/30/2019	Due Within One Year
USDA Loans Hacienda Orgullo #1	\$ 296,902	-	23,035	273,867	23,266
USDA Loans Hacienda Orgullo #2	92,457	-	8,150	84,307	7,276
USDA Loan Puesta Del Sol	422,778	-	12,731	410,047	10,990
Compensated absences	23,158	54,766	53,270	24,654	24,654
Total Long-term debt	\$ 7,248,287	54,766	97,186	792,875	66,186

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

Compensated absences decreased by \$1,496 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, 2019
USDA Loan Hacienda Orgullo #1	12/19/1981	8/19/2030	1.00%	10.750%	\$ 312,140	\$ 273,867
USDA Loan Hacienda Orgullo #2	12/19/1981	10/19/2030	1.00%	9.000%	1,000,000	84,307
USDA Loan Puesta Del Sol	12/1/1994	3/1/2034	1.00%	11.875%	495,788	410,047
Total Loans						<u>\$ 768,221</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Debt service requirements on long-term debt at June 30, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2020	\$ 41,532	\$ 79,759	\$ 121,191
2021	43,218	75,619	118,837
2022	45,079	71,279	116,358
2023	47,138	66,716	113,854
2024	49,419	61,905	111,324
2025-2029	291,221	226,563	517,784
2030-2034	250,614	69,864	320,478
	<u>\$ 768,221</u>	<u>\$ 651,705</u>	<u>\$ 1,419,926</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.

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NOTE 9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

NOTE 10. JOINTLY GOVERNED ORGANIZATIONS

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

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

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

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

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
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June 30, 2019**

NOTE 10. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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

The City is a participant in a *joint powers agreement with the Sierra County, the Village of Williamsburg, and the City of Elephant Butte* wherein all parties agree to provide intergovernmental cooperation between each participant for the centralized dispatching of area law enforcement and emergency services, and to allow entry by other subdivisions or municipal corporations. The parties to the agreement are responsible each for a base amount of \$200,000 annually, but shall be negotiated. The agreement was entered into on June 22, 2010 and will remain in full force until by mutual agreement of the parties or by written notice by one party to the other giving 30 day notice of cancellation. Each party is responsible for the audit of its own related expenditures.

The City is a participant in a *joint powers agreement with the New Mexico Spaceport Authority* wherein both parties agree to provide services for the reconstruction, administration, and use for the Spaceport related activities. The City is responsible for \$175,000 contribution for environmental remediation. The agreement was entered into on October 29, 2009 and will remain in full force for one year unless mutually agreed by both parties to extend to a possible five to thirty years. The agreement can be terminated upon 30 days of written notice. Each party is responsible for the audit of its own related expenditures.

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

The City is a participant in a *joint powers agreement with the Sierra County, the Village of Williamsburg, and the City of Elephant Butte* wherein all parties agree to provide and maintain an adequate health care facility, including acute care hospital within the County. The City is responsible for 3/16% gross receipts tax, pledged for operations. The pledge shall not exceed 20 years. The agreement was adopted on May 14, 1998 and revised on July 15, 2009 and will remain in full force until by mutual agreement of the parties or by written notice by one party to the other giving 30 day notice of cancellation. Each party is responsible for the audit of its own related expenditures.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
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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

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

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.

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

PERA Contribution Rates and Pension Factors as of July 1, 2018						
	Employee Contribution		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, 2019, the City reported a liability of \$6,533,792 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2019, the City reported a liability of \$4,862,829 for its proportionate share of the net pension liability. At June 30, 2018, the City’s proportion was .3050% percent, which increased 0.0143% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized PERA Fund Division Municipal General Pension expense of \$536,106. At June 30, 2019, 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	\$ 140,546	(127,672)
Changes in assumptions	440,884	(27,959)
Net difference between projected and actual earnings on pension plan investments	360,652	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	144,694	(50,883)
City’s contributions subsequent to the measurement date	<u>247,835</u>	<u>-</u>
Total	<u>\$ 1,334,611</u>	<u>(206,514)</u>

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

\$247,835 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, 2019. Other amounts reported as deferred

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

Year ended June 30:	
2020	\$ 533,523
2021	236,950
2022	91,256
2023	(18,533)
2024	-
Thereafter	-

For PERA Fund Division Municipal Police, at June 30, 2019, the City reported a liability of \$1,670,963 for its proportionate share of the net pension liability. At June 30, 2018, the City’s proportion was 0.2449% percent, which decreased 0.0224% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized PERA Fund Division Municipal Police pension expense of \$126,394. 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	\$ 81,803	(165,636)
Changes in assumptions	190,659	(10,215)
Net difference between projected and actual earnings on pension plan investments	114,986	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	28,759	(138,499)
City’s contributions subsequent to the measurement date	<u>114,829</u>	<u>-</u>
Total	<u>\$ 531,036</u>	<u>(314,350)</u>

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

\$114,829 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	79,562
2021		8,947
2022		7,651
2023		5,697
2024		-
Thereafter		-

Component Unit

For PERA Fund Municipal General Division, at June 30, 2019, the Truth or Consequences Housing Authority reported a liability of \$1,503,496 for its proportionate share of the net pension liability. At June 30, 2018, the Housing Authority’s proportion was 0.0943% percent, which changed from its proportion of 0.0892% percent as of June 30, 2018.

For the year ended June 30, 2019, the Truth or Consequences Housing Authority recognized PERA Fund Municipal General Division pension expense of \$173,652. At June 30, 2019, 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	\$ 43,455	(11,809)
Changes in assumptions	136,313	(8,643)
Net difference between projected and actual earnings on pension plan investments	111,505	-
Changes in proportion and differences between Authority’s contributions and proportionate share of contributions	19,344	(39,470)
Authority’s contributions subsequent to the measurement date	<u>80,042</u>	<u>-</u>
Total	<u>\$ 472,659</u>	<u>(59,922)</u>

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

\$80,042 reported as deferred outflows of resources related to pensions resulting from the Housing Authority’s contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Component Unit (continued)

Year ended June 30:

2020	\$	195,180
2021		101,465
2022		30,294
2023		5,756

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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level of percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial assumptions	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.5% annual rate first 9 years 2.75% all other years
Mortality assumption	Based on the RPH-2014 Blue Collar mortality table with female ages set forward on year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 20, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.48%
Risk Reduction & Mitigation	21.5%	2.37%
Credit Oriented Fixed Income	15.0%	5.47%
Real Assets	20.0%	6.48%
Total	<u>100.0%</u>	

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PERA Fund Division Municipal General			
City’s proportionate share of the net pension liability	\$ <u>7,493,293</u>	<u>4,862,826</u>	<u>2,688,329</u>

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

PERA Fund Division Municipal Police

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 2,569,256	1,670,963	938,642

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, 2019 the City had no outstanding contributions to the pension plan and therefore, had no payables reported as of June 30, 2019.

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund Division Municipal General

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Housing Authority's proportionate share of the net pension liability	\$ 2,316,779	1,503,496	831,179

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, 2019, amounts due to PERA from the Authority totaled \$7,632.

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

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

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.

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, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</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 \$64,326 for the year ended June 30, 2019.

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

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

are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Authority were \$13,257 for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability of \$3,461,725 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the City’s proportion was 0.07961 percent.

For the year ended June 30, 2019, the City recognized OPEB expense of \$7,456. At June 30, 2019 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	\$ -	204,956
Changes in assumptions	-	646,289
Change in proportion	56,922	-
Net difference between projected and actual earnings on OPEB plan investments	-	43,201
Employer contributions subsequent to the measurement date	<u>64,326</u>	<u>-</u>
Total	\$ <u>121,248</u>	<u>894,446</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:

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

Year ended June 30:		
2020	\$	(215,199)
2021		(215,199)
2022		(215,199)
2023		(163,442)
2024		<u>(28,485)</u>
Total	\$	<u><u>(837,524)</u></u>

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

At June 30, 2019, the Authority reported a liability of \$622,249 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Authority’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Authority’s proportion was 0.01431 percent.

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$1,313. At June 30, 2019 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	\$ -	7,763
Changes in assumptions	-	116,170
Changes in proportions	-	2,296
Net difference between projected and actual earnings on OPEB plan investments	-	36,842
Employer contributions subsequent to the measurement date	<u>13,257</u>	<u>-</u>
Total	\$ <u>13,257</u>	<u>163,071</u>

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

Deferred outflows of resources totaling \$13,257 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, 2020. 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:	
2020	\$ (41,336)
2021	(41,336)
2022	(41,336)
2023	(32,033)
2024	(7,030)
Total	\$ <u>(163,071)</u>

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	3.25% to 12.50% based on years of service, including inflation
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.

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

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1
Non U.S. – emerging markets	10.2
Non U.S. – developed equities	7.8
Private equity	11.8
Credit and structured finance	5.3
Real estate	4.9
Absolute return	4.1
U.S. equity – small/mid cap	7.1

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. 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, 4.08% 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate; percent) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$	<u>4,189,503</u>	<u>3,461,725</u>	<u>2,888,074</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:

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

	1% Decrease	Current Discount Rate	1% Increase
\$	<u>2,926,372</u>	<u>3,461,725</u>	<u>3,888,455</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, 2019.

Payables changes in the net OPEB liability. At June 30, 2019, the City did not accrue any payables for OPEB.

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 (3.08 percent) or 1-percentage-pont higher (5.08 percent) than the current discount rate; percent) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$	<u>753,069</u>	<u>622,249</u>	<u>519,135</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-pont higher than the current healthcare cost trend rate:

	1% Decrease	Current Discount Rate	1% Increase
\$	<u>526,019</u>	<u>622,249</u>	<u>697,696</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, 2018.

Payables changes in the net OPEB liability. At June 30, 2019, the Authority reported a payable of \$769 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Note disclosure about AROs are also addressed. GASB Statement No. 83 was effective for periods beginning after June 15, 2018. The City has adopted this statement for the year ending June 30, 2019; however, there were no material AROs and the implementation of this statement had no effect on the City's financial statements.

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This statement's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No. 88 was effective for periods beginning after June 15, 2018. The City adopted this statement and the City has properly disclosed all debt in accordance with the new pronouncement.

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued but are not yet effective at June 30, 2019.

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

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

GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61.*

GASB Statement No. 91, *Conduit Debt Obligations.*

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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, 2019.

NOTE 16. SUBSEQUENT EVENTS

Events subsequent to June 30, 2019 have been evaluated by management through December 13, 2019, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2019 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, 2019

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				
	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
City's Proportion of the Net Pension Liability (Asset)					
Municipal General	0.3050%	0.2907%	0.2954%	0.2908%	0.3329%
Municipal Police	0.2449%	0.2673%	0.2561%	0.2958%	0.2904%
Component Unit - Municipal General	0.0943%	0.0892%	0.0806%	0.0782%	0.0982%
City's Proportionate Share of Net Pension Liability (Asset)					
Municipal General	\$ 4,862,829	\$ 3,994,463	\$ 4,719,498	\$ 2,964,958	\$ 2,596,977
Municipal Police	1,670,963	1,485,027	1,889,582	1,396,406	964,276
Component Unit - Municipal General	1,503,496	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	\$ 2,595,131	\$ 2,861,475	\$ 2,550,738	\$ 2,246,083	\$ 2,439,725
Municipal Police	607,558	537,439	550,728	838,111	934,075
Component Unit - Municipal General	631,912	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	187.38%	139.59%	185.02%	132.01%	106.45%
Municipal Police	275.03%	276.32%	343.11%	166.61%	103.23%
Component Unit - Municipal General	237.93%	198.46%	209.18%	139.60%	126.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
Municipal General	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Police	71.13%	73.74%	69.18%	76.99%	81.29%
Component Unit - Municipal General	71.13%	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, 2019

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

	2019	2018	2017	2016	2015
Contributions in relation to the contractually required contribution					
Municipal General	\$ 247,835	\$ 273,271	\$ 243,595	\$ 241,619	\$ 229,899
Municipal Police	114,829	101,576	104,088	96,273	107,568
Component Unit - Municipal General	80,042	76,145	74,420	65,939	61,787
	<u>\$ 442,706</u>	<u>\$ 450,992</u>	<u>\$ 422,103</u>	<u>\$ 403,831</u>	<u>\$ 399,254</u>
Contractually required contributions					
Municipal General	\$ 247,835	\$ 273,271	\$ 243,595	\$ 241,619	\$ 229,899
Municipal Police	114,829	101,576	104,087	96,273	107,568
Component Unit - Municipal General	80,042	76,145	74,420	65,939	61,787
	<u>\$ 442,706</u>	<u>\$ 450,992</u>	<u>\$ 422,102</u>	<u>\$ 403,831</u>	<u>\$ 399,254</u>
City's covered payroll					
Municipal General	\$ 2,595,131	\$ 2,861,475	\$ 2,550,738	\$ 2,246,083	\$ 2,439,725
Municipal Police	607,558	537,439	550,728	838,111	934,075
Component Unit - Municipal General	631,912	631,912	615,593	571,154	605,461
	<u>\$ 3,834,601</u>	<u>\$ 4,030,826</u>	<u>\$ 3,717,059</u>	<u>\$ 3,655,348</u>	<u>\$ 3,979,261</u>
Contributions "in relation" as a percentage of covered-employee payroll					
Municipal General	9.55%	9.55%	9.55%	10.76%	10.24%
Municipal Police	18.90%	18.90%	18.90%	11.49%	12.83%
Component Unit - Municipal General	12.05%	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, 2019**

**New Mexico Retiree Healthcare Authority
For Last 10 Fiscal Years*
(Dollars in Thousands)**

		30-Jun	30-Jun
	Fiscal Year	2019	2018
	Measurement Date	2018	2017
City's Proportion of the Net OPEB liability		0.07961%	0.07837%
Component Unit's Proportion of the Net OPEB Liability		0.01431%	0.01436%
City's Proportionate Share of the Net OPEB Liability	\$	3,461,725	\$ 3,551,472
Component Unit's Proportionate Share of the Net OPEB Liability	\$	622,249	\$ 650,748
City's Covered-Employee Payroll	\$	3,415,760	\$ 3,264,618
Component Unit's Covered -Employee Payroll	\$	632,179	\$ 598,187
City's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered-Employee Payroll		101.35%	108.79%
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll		98.43%	108.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		13.14%	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 ,2019**

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

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution - City	\$ 124,404	\$ 248,862
Contractually Required Contribution - Component Unit	\$ 13,257	\$ 12,645
Contributions in Relation to the Contractually Required Contribution - City	122,885	124,901
Contributions in Relation to the Contractually Required Contribution - Component Unit	<u>(13,257)</u>	<u>(12,645)</u>
Contribution Deficiency (Excess) - City	1,519	123,961
Contribution Deficiency (Excess) - Component Unit	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll - City	\$ 3,415,760	\$ 3,264,618
Employer's covered-employee payroll - Component Unit	\$ 662,764	\$ 632,179
Contributions as a percentage of covered-employee payroll - City	3.60%	3.83%
Contributions as a percentage of covered-employee payroll - Component Unit	2.00%	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, 2019

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

Assumption - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2018, 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 FY19 audit available at <http://saonm.org/> using the Audit Search function for agency 2760.

Changes of assumptions. The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2018 report is available at <http://saonm.org/> using the Audit Search function for agency 2760.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2019**

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, 2019**

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, 2019**

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, 2019

	Special Revenue				
	Fire Protection 209	Recreation Fund 217	Correction Fees 201	Law Enforcement Protection 211	Police Department GRT Fund 296
<i>Assets</i>					
Cash and cash equivalents	\$ 770,471	19,261	14,968	4,625	178,473
Restricted cash and cash equivalents	-	-	-	-	-
Receivables:					
Other taxes	-	-	-	-	-
Miscellaneous receivables	-	-	-	-	-
Inventory	-	-	-	-	-
Total assets	\$ 770,471	19,261	14,968	4,625	178,473
<i>Liabilities</i>					
Accounts payable	\$ 77,873	-	2,105	-	-
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	77,873	-	2,105	-	-
<i>Deferred Inflows - Property Taxes</i>					
Unearned revenue - property taxes	-	-	-	-	-
Total Deferred Inflows	-	-	-	-	-
Total Liabilities and Deferred Inflows	77,873	-	2,105	-	-
<i>Fund balances</i>					
Nonspendable					
Inventory	-	-	-	-	-
Spendable:					
Restricted for:					
Public Safety	-	-	12,863	4,625	178,473
Culture and recreation	-	19,261	-	-	-
Transportation and roads	-	-	-	-	-
Fire protection	692,598	-	-	-	-
Veteran's Wall	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	692,598	19,261	12,863	4,625	178,473
Total liabilities and fund balances	\$ 770,471	19,261	14,968	4,625	178,473

Special Revenue

Lodger's Tax 214	Municipal Streets Fund 216	Municipal Pool 295	State Library 294	Veteran's Wall Perpetual Care 293
335,987	476,528	45,521	7,219	13,692
-	-	-	-	-
33,586	-	-	-	-
-	-	-	-	-
-	38,269	9,784	-	-
<u>369,573</u>	<u>514,797</u>	<u>55,305</u>	<u>7,219</u>	<u>13,692</u>
845	-	-	32.00	-
-	-	242	-	-
-	-	-	-	-
<u>845</u>	<u>-</u>	<u>242</u>	<u>32</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>845</u>	<u>-</u>	<u>242</u>	<u>32</u>	<u>-</u>
-	38,269	9,784	-	-
-	-	-	-	-
368,728	-	45,279	7,187	-
-	476,528	-	-	-
-	-	-	-	-
-	-	-	-	13,692
-	-	-	-	-
-	-	-	-	-
<u>368,728</u>	<u>514,797</u>	<u>55,063</u>	<u>7,187</u>	<u>13,692</u>
<u>369,573</u>	<u>514,797</u>	<u>55,305</u>	<u>7,219</u>	<u>13,692</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Senior Transportation 304	Capital Expenditures 305	Local Econ. Dev. Act (LEDA) 319	USDA Street Sweeper 308
<i>Assets</i>				
Cash and cash equivalents	\$ 68,170	67	-	100
Restricted cash and cash equivalents	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Miscellaneous receivables	-	-	-	-
Inventory	-	-	-	-
Total assets	\$ 68,170	67	-	100
<i>Liabilities</i>				
Accounts payable	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
Total Deferred Inflows	-	-	-	-
Total Liabilities and Deferred Inflows	-	-	-	-
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Public Safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Fire protection	-	-	-	-
Veteran's Wall	-	-	-	-
Capital projects	68,170	67	-	100
Unassigned	-	-	-	-
Total fund balances	68,170	67	-	100
Total liabilities and fund balances	\$ 68,170	67	-	100

Capital Projects				Total Nonmajor Governmental Funds
Golf Course Improvement 307	R & R Emergency 310	Veteran's Wall 303	CDBG Project 314	
16,454	62,438	45,360	326,341	2,385,675
-	-	-	-	-
-	-	-	-	33,586
-	-	-	-	-
-	-	-	-	48,053
<u>16,454</u>	<u>62,438</u>	<u>45,360</u>	<u>326,341</u>	<u>2,467,314</u>
-	-	5,697.00	-	86,552
-	-	-	-	242
-	-	-	-	-
-	-	5,697	-	86,794
-	-	-	-	-
-	-	-	-	-
-	-	5,697	-	86,794
-	-	-	-	-
-	-	-	-	48,053
-	-	-	-	195,961
-	-	-	-	440,455
-	-	-	-	476,528
-	-	-	-	692,598
-	-	39,663	-	53,355
16,454	62,438	-	326,341	473,570
-	-	-	-	-
<u>16,454</u>	<u>62,438</u>	<u>39,663</u>	<u>326,341</u>	<u>2,380,520</u>
<u>16,454</u>	<u>62,438</u>	<u>45,360</u>	<u>326,341</u>	<u>2,467,314</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, 2019

	Special Revenue			
	Fire Protection	Recreation Fund	Correction Fees	Law Enforcement
	209	217	201	Protection 211
<i>Revenues</i>				
Taxes:				
Gross Receipts	\$ -	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal capital grants	-	-	-	-
State operating grants	376,137	-	-	25,400
State capital grants	-	-	-	-
Charges for services	-	-	11,406	-
Investment income	-	12	-	-
Miscellaneous	658	-	-	-
<i>Total revenues</i>	<u>376,795</u>	<u>12</u>	<u>11,406</u>	<u>25,400</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	130,589	-	32,897	23,566
Public works	-	-	-	-
Culture and recreation	-	726	-	-
Capital outlay	40,250	28,256	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>170,839</u>	<u>28,982</u>	<u>32,897</u>	<u>23,566</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>205,956</u>	<u>(28,970)</u>	<u>(21,491)</u>	<u>1,834</u>
<i>Other Financing Sources (Uses)</i>				
Proceeds from loans				
Transfers, in	-	42,000	25,000	-
Transfers, out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>42,000</u>	<u>25,000</u>	<u>-</u>
<i>Net change in fund balances</i>	205,956	13,030	3,509	1,834
<i>Fund balances - beginning of year</i>	<u>486,642</u>	<u>6,231</u>	<u>9,354</u>	<u>2,791</u>
<i>Fund balances, end of year</i>	<u>\$ 692,598</u>	<u>19,261</u>	<u>12,863</u>	<u>4,625</u>

Police Department GRT Fund 296	Lodger's Tax 214	Special Revenue			Veteran's Wall Perpetual Care 293
		Municipal Streets Fund 216	Municipal Pool 295	State Library 294	
-	-	344,426	785	-	-
-	-	86,246	-	-	-
-	324,677	-	-	-	-
89,500	-	-	-	-	-
-	-	207,375	-	15,612	-
-	-	-	-	-	-
49,449	60,068	-	15,712	-	-
194	317	533	-	-	-
-	-	-	1,493	2,208	-
<u>139,143</u>	<u>385,062</u>	<u>638,580</u>	<u>17,990</u>	<u>17,820</u>	<u>-</u>
-	202,246	160,196	-	-	-
-	-	-	-	-	600
-	-	221,305	-	-	-
-	-	-	185,646	19,535	-
168,015	-	282,828	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>168,015</u>	<u>202,246</u>	<u>664,329</u>	<u>185,646</u>	<u>19,535</u>	<u>600</u>
<u>(28,872)</u>	<u>182,816</u>	<u>(25,749)</u>	<u>(167,656)</u>	<u>(1,715)</u>	<u>(600)</u>
88,189	-	-	195,000	-	-
<u>(45,612)</u>	<u>(105,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,000)</u>
<u>42,577</u>	<u>(105,000)</u>	<u>-</u>	<u>195,000</u>	<u>-</u>	<u>(16,000)</u>
13,705	77,816	(25,749)	27,344	(1,715)	(16,600)
<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>178,473</u>	<u>368,728</u>	<u>514,797</u>	<u>55,063</u>	<u>7,187</u>	<u>13,692</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, 2019

	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	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	3	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	13,945	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>13,945</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(13,942)</u>	<u>-</u>	<u>-</u>
<i>Other Financing Sources (Uses)</i>				
Proceeds from loans				
Transfers, in	-	12,000	-	-
Transfers, out	(20,000)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(20,000)</u>	<u>12,000</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(20,000)	(1,942)	-	-
<i>Fund balances - beginning of year</i>	<u>88,170</u>	<u>2,009</u>	<u>-</u>	<u>100</u>
<i>Fund balances, end of year</i>	<u>\$ 68,170</u>	<u>67</u>	<u>-</u>	<u>100</u>

Capital Projects				Total Nonmajor
Golf Course Improvements 307	R & R Emergency 310	Veteran's Wall 303	CDBG Project 314	Governmental Funds
-	-	-	-	345,211
-	-	-	-	86,246
-	-	-	-	324,677
-	-	-	-	89,500
-	-	57,480	-	682,004
-	-	-	-	-
-	-	-	-	136,635
-	-	-	-	1,059
-	-	-	-	4,359
<u>-</u>	<u>-</u>	<u>57,480</u>	<u>-</u>	<u>1,669,691</u>
-	-	-	-	362,442
-	-	-	-	187,652
-	-	-	-	221,305
-	-	65,800	-	271,707
-	-	-	-	533,294
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>65,800</u>	<u>-</u>	<u>1,576,400</u>
<u>-</u>	<u>-</u>	<u>(8,320)</u>	<u>-</u>	<u>93,291</u>
-	2,500	16,000	-	380,689
-	-	-	-	(186,612)
<u>-</u>	<u>2,500</u>	<u>16,000</u>	<u>-</u>	<u>194,077</u>
-	2,500	7,680	-	287,368
<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>62,438</u>	<u>39,663</u>	<u>326,341</u>	<u>2,380,520</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2019**

	Business Type Activities - Enterprise Funds		
	Golf Course 508	Cemetery 501	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash, investments and cash equivalents	\$ 42,757	40,471	83,228
Receivables:			
Charges for services, net	-	-	-
Total current assets	<u>42,757</u>	<u>40,471</u>	<u>83,228</u>
Noncurrent assets			
Capital assets	1,115,175	145,849	1,261,024
Less: Accumulated depreciation	(492,503)	(26,680)	(519,183)
Total assets	<u>\$ 665,429</u>	<u>159,640</u>	<u>825,069</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 177	-	177
Due to other funds	-	-	-
Total current liabilities	<u>177</u>	<u>-</u>	<u>177</u>
Net position			
Net investment in capital assets	622,672	119,169	741,841
Unrestricted	42,580	40,471	83,051
Total net position	<u>665,252</u>	<u>159,640</u>	<u>824,892</u>
Total liabilities and net position	<u>\$ 665,429</u>	<u>159,640</u>	<u>825,069</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, 2019

	Business Type Activities - Enterprise Funds		
	Golf Course 508	Cemetery 501	Total Nonmajor Enterprise Funds
<i>Operating Revenues</i>			
Charges for services	\$ 14,822	9,710	24,532
<i>Total revenues</i>	<u>14,822</u>	<u>9,710</u>	<u>24,532</u>
<i>Operating Expenses</i>			
General operating	97,080	8,589	105,669
Depreciation	8,811	122	8,933
Utilities	9,774	-	9,774
<i>Total operating expenses</i>	<u>115,665</u>	<u>8,711</u>	<u>124,376</u>
<i>Operating income (loss)</i>	<u>(100,843)</u>	<u>999</u>	<u>(99,844)</u>
<i>Nonoperating revenues (expenses)</i>			
Investment income	18	21	39
Miscellaneous income	19,785	-	19,785
<i>Total non-operating revenues (expenses)</i>	<u>19,803</u>	<u>21</u>	<u>19,824</u>
<i>Income (loss) before contributions and transfers</i>	<u>(81,040)</u>	<u>1,020</u>	<u>(80,020)</u>
Transfers in	120,000	-	120,000
Transfers out	-	-	-
<i>Change in net position</i>	<u>38,960</u>	<u>1,020</u>	<u>39,980</u>
Net position - beginning	<u>626,292</u>	<u>158,620</u>	<u>784,912</u>
<i>Net position - end of year</i>	<u>\$ 665,252</u>	<u>159,640</u>	<u>824,892</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business Type Activities - Enterprise Funds		
	Golf Course	Cemetery	Total Nonmajor Enterprise Funds
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 14,822	9,710	24,532
Cash payments to suppliers for goods and services	(119,925)	(9,402)	(129,327)
<i>Net cash provided (used) by operating activities</i>	<u>(105,103)</u>	<u>308</u>	<u>(104,795)</u>
<i>Cash flows from noncapital financing activities</i>			
Miscellaneous income	19,803	21	19,824
Transfers	120,000	-	120,000
<i>Net cash provided by noncapital financing activities</i>	<u>139,803</u>	<u>21</u>	<u>139,824</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	-	-	-
<i>Net cash (used) by capital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>34,700</u>	<u>329</u>	<u>35,029</u>
Cash and cash equivalents - beginning of year	<u>8,057</u>	<u>40,142</u>	<u>48,199</u>
Cash and cash equivalents - end of year	<u>\$ 42,757</u>	<u>40,471</u>	<u>83,228</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (100,843)	999	(99,844)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
<i>Depreciation</i>	8,811	122	8,933
Changes in assets and liabilities			
Receivables	-	-	-
Due to other funds	(1,414)	-	(1,414)
Account payable	(11,657)	(813)	(12,470)
<i>Net cash provided (used) by operating activities</i>	<u>\$ (105,103)</u>	<u>308</u>	<u>(104,795)</u>

OTHER SUPPLEMENTARY SCHEDULES

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
Year Ended June 30, 2019

Bank Name	Account Type	Totals
First Savings Bank		
GENERAL	Demand Account	\$ 1,001,406
LOCAL GOVERNMENT CORRECTIONS	Demand Account	14,968
FIRE PROTECTION	Demand Account	770,471
LAW ENFORCEMENT PROTECTION	Demand Account	4,625
LODGER'S TAX	Demand Account	335,987
MUNICIPAL STREET FUND	Demand Account	476,528
RECREATION	Demand Account	19,211
FEDERAL SEIZURE SHARE	Demand Account	-
VETERANS WALL PERPETUAL CARE	Demand Account	13,692
LIBRARY	Demand Account	7,219
MUNICIPAL POOL	Demand Account	45,521
PD GRT FUND	Demand Account	178,473
PD CONFIDENTIAL	Demand Account	1,695
PD DONATIONS	Demand Account	9,220
ELECTRICAL CONSTRUCTION	Demand Account	25,934
VETERANS WALL	Demand Account	45,360
SENIOR GRANTS	Demand Account	68,170
CAPITAL IMPROVEMENTS GENERAL	Demand Account	68
CAPITAL IMPROVEMENT JT UTILITY	Demand Account	328,712
GOLF COURSE IMPROVEMENTS	Demand Account	16,454
USDA STREET SWEEPER	Demand Account	100
USDA WWTP FUND	Demand Account	2,366
JOINT UT EMERGENCY	Demand Account	62,438
R & R AIRPORT (FFA)	Demand Account	88,537
R & R WATER	Demand Account	1,887
CDBG	Demand Account	326,341
CAPITAL IMPOV RESERVE	Demand Account	724,588
EMERGENCY REPAIR RESERVE	Demand Account	114,803
WASTE WATER RESERVE	Demand Account	137,917
ELECTRICAL CONSTRUCTION RESERVE	Demand Account	110,936
PLEDGE STATE TAX	Demand Account	93,064
CEMETARY FUND	Demand Account	40,471
TRANSFER STATION	Demand Account	386,606
GOLF COURSE	Demand Account	42,455
MUNICIPAL AIRPORT	Demand Account	17,919
INTERNAL SERVICE	Demand Account	75,564
PD BONDS	Demand Account	1,000
REVOLVING FUND	Demand Account	374,119
W/WW Impact Fees	Demand Account	4,439
Impact WW Dennis Murati	Demand Account	1,801
Impact WW James Lewis	Demand Account	1,801
Impact WW NM Veterans Home	Demand Account	101,411
Impact WW Lewis & Janet Kern	Demand Account	2,201
Impact WW Robert Uno Maki	Demand Account	1,352
Impact WW Alexander Andrassy	Demand Account	1,050
Impact WW Walter Pucci	Demand Account	2,701
Joint Utility (pooled cash)	Demand Account	2,556,112
CD INVESTMENT R&R SEWER	Time Account	145,210
CD INVESTMENT R&R WATER	Time Account	128,316
CD INVESTMENT PLEDGE	Time Account	593,111
CD INVESTMENT ELECTRIC	Time Account	507,051
CD INVESTMENT CAPITAL IMPOVE	Time Account	1,036,547
CD INVESTMENT EMERG REPAIR	Time Account	82,796
CD INVESTMENT WASTE WATER REPAIR	Time Account	103,658
CD INVESTMENT ELEC CONST	Time Account	83,991
CD INVESTMENT HSLD	Time Account	101,105
Total for First Savings Bank		11,419,478

NMFA

Storage Tanks	Cash/Investment	32,408
Electric Upgrade	Cash/Investment	182,988
Police Department Building	Cash/Investment	22,750
Recreational	Cash/Investment	322,317
Streets Improvements	Cash/Investment	190,250
Water Tank	Cash/Investment	10,413
Refunding Water Revenue	Cash/Investment	114,259
Fire Pump	Cash/Investment	393
Law Enforcement Equipment	Cash/Investment	105,043
	Total NMFA	<u>980,821</u>

NM LGIP Fund

LGIP Fund		<u>1,354,606</u>
	Total NM LGIP	<u>1,354,606</u>

Total on Deposit and Investments	Cash/Investment	<u>13,754,905</u>
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Reconciling Items		<u>(464,873)</u>
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Total Deposits and Investments		<u>13,290,032</u>
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Less: Restricted Cash and Cash Equivalents per the Statement of Net Position		1,093,138
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Less: Investments per the Statement of Net Position		4,136,391
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Total Unrestricted Cash and Cash Equivalents per the Statement of Net Position	\$	<u><u>8,060,503</u></u>
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STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2019

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2019	Location of Safekeeper
First Savings Bank					
	FNMA 10YR	4/1/2024	31418BB54	176,522.80	Federal Reserve, Beresford SD
	FNMA 15YR	8/1/2026	31417Y4X2	188,288.58	Federal Reserve, Beresford SD
	GNMA II 15YR	10/20/2026	36202FX43	405,044.81	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2026	3138E1HB6	775,025.89	Federal Reserve, Beresford SD
	FNMA 15YR	2/1/2027	3138E4X71	181,818.28	Federal Reserve, Beresford SD
	GNMA 15YR	2/15/2027	36176XBY4	87,945.82	Federal Reserve, Beresford SD
	GNMA 15YR	2/15/2027	36176XBY4	621,117.36	Federal Reserve, Beresford SD
	GNMA II 15YR	3/20/2027	36202F4K9	363,818.41	Federal Reserve, Beresford SD
	FNR 2016-66 HE	6/25/2027	3136A6A20	310,632.03	Federal Reserve, Beresford SD
	GNR 2012-96 AD	8/20/2027	38378HAU0	118,019.72	Federal Reserve, Beresford SD
	FNR 2012-96 DB	9/25/2027	3136A75A6	108,775.10	Federal Reserve, Beresford SD
	FHR 4136 NG	11/15/2027	3137AWKN4	127,404.10	Federal Reserve, Beresford SD
	FHR 4136 NG	11/15/2027	3137AWKN4	254,808.19	Federal Reserve, Beresford SD
	FHLMC 15YR	6/1/2028	31307DB62	90,909.61	Federal Reserve, Beresford SD
	FNMA 15YR	10/1/2028	3138ELUS0	186,244.71	Federal Reserve, Beresford SD
	FHLMC 15YR	12/1/2028	3132KEMF9	634,610.44	Federal Reserve, Beresford SD
	FNMA 15YR	7/1/2029	31410LN57	292,235.74	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2029	3138ERHG8	179,950.15	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2029	3138ERHG8	359,900.30	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2029	3140J5EA3	289,145.64	Federal Reserve, Beresford SD
	FHLMC 15YR	2/1/2030	3128MECV1	195,900.16	Federal Reserve, Beresford SD
	FNMA 15YR	2/1/2030	3138ETU53	181,585.22	Federal Reserve, Beresford SD
	FHLMC 15YR	8/1/2031	3128ME4M0	826,187.17	Federal Reserve, Beresford SD
	FHR 4080 NA	5/15/2032	3137ARS72	1,055,786.99	Federal Reserve, Beresford SD
	FNMA 20YR	3/1/2039	3140JAM62	513,268.47	Federal Reserve, Beresford SD
	FNR 2014-71 M	8/25/2041	3136ALJJ1	2,046,966.23	Federal Reserve, Beresford SD
	FNR 2014-37 GJ	6/25/2042	3136AKGQ0	259,014.60	Federal Reserve, Beresford SD
	FNR 2014-37 GJ	6/25/2042	3136AKGQ0	181,310.22	Federal Reserve, Beresford SD
	FNR 2013-73 TC	9/25/2042	3136AFTR5	137,001.99	Federal Reserve, Beresford SD
	FNR 2013-73 TC	9/25/2042	3136AFTR5	97,858.57	Federal Reserve, Beresford SD
	FNR 2017-18 CA	1/25/2043	3136AVQK8	336,721.32	Federal Reserve, Beresford SD
	FHR 4504 PA	5/15/2044	3137BKWM8	54,598.32	Federal Reserve, Beresford SD
			Total	\$ <u>11,638,417</u>	

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
TRUTH OR CONSEQUENCES HOUSING AUTHORITY - A COMPONENT UNIT OF THE CITY
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2019

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	\$ 220,120	\$ -	\$ 74,369	\$ 40,128
113	Cash - Other Restricted	21,449	-	-	89,559
114	Cash - Tenant Security Deposits	25,725	-	-	8,361
100	Total Cash	267,294	-	74,369	138,048
121	Accounts Receivable - PHA projects	15,790	-	-	-
125	Accounts Receivable - Miscellaneous	140,131	-	-	123
126	Accounts Receivable - Tenants - Dwelling Rents	4,529	-	-	11,622
126.1	Allowance for Doubtful Accounts - Dwelling Rents	453	-	-	(1,162)
120	Total Receivables, Net of Allowance for Doubtful Accounts	160,903	-	-	10,583
131	Investments - Unrestricted	227,083	-	-	-
130	Total Investments	227,083	-	-	-
142	Prepaid Expenses and Other Assets	20,184	-	-	4,616
143	Inventories	20,188	-	-	4,162
150	Total Current Assets	695,652	-	74,369	157,409
161	Land	431,590	-	-	205,946
162	Buildings	4,730,083	-	6,551	2,044,629
163	Furniture, Equipment & Machinery - Dwellings	227,085	-	-	56,243
164	Furniture, Equipment & Machinery - Administration	477,435	-	16,342	20,771
165	Leasehold Improvements	590,907	-	18,015	85,210
166	Accumulated Depreciation	(4,500,139)	-	(25,602)	(1,294,274)
167	Construction in progress	245,616	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	2,202,577	-	15,306	1,118,525
180	Total Non-Current Assets	2,202,577	-	15,306	1,118,525
190	Total Assets	2,898,229	-	89,675	1,275,934
200	Deferred Outflows of Resources	215,694	-	-	76,487
290	Total Assets and Deferred Outflows of Resources	\$ 3,113,923	\$ -	\$ 89,675	\$ 1,352,421

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	Total
\$ -	\$ -	\$ 143,094	\$ -	\$ 5,940	\$ 345,639	\$ 829,290
-	-	69,038	-	-	-	180,046
-	-	-	-	-	-	34,086
-	-	212,132	-	5,940	345,639	1,043,422
-	-	-	-	-	-	15,790
-	-	-	-	-	300,979	441,233
-	-	-	-	-	-	16,151
-	-	-	-	-	-	(709)
-	-	-	-	-	300,979	472,465
-	-	-	-	-	79,526	306,609
-	-	-	-	-	79,526	306,609
-	-	1,548	-	-	-	26,348
-	-	-	-	-	-	24,350
-	-	213,680	-	5,940	726,144	1,873,194
-	-	-	-	-	-	637,536
-	-	-	-	-	-	6,781,263
-	-	-	-	-	-	283,328
-	-	35,730	-	-	-	550,278
-	-	-	-	-	-	694,132
-	-	(35,730)	-	-	-	(5,855,745)
-	-	-	-	-	-	245,616
-	-	-	-	-	-	3,336,408
-	-	-	-	-	-	3,336,408
-	-	213,680	-	5,940	726,144	5,209,602
-	-	68,221	-	-	125,514	485,916
\$ -	\$ -	\$ 281,901	\$ -	\$ 5,940	\$ 851,658	\$ 5,695,518

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
TRUTH OR CONSEQUENCES HOUSING AUTHORITY - A COMPONENT UNIT OF THE CITY
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2019

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
311	Bank Overdraft	\$ -	\$ -	\$ -	\$ -
312	Accounts Payable <= 90 Days	15,098	-	-	4,549
321	Accrued Wage/Payroll Taxes Payable	54,228	-	-	-
322	Accrued Compensated Absences - Current Portion	8,975	-	-	4,562
341	Tenant Security Deposits	25,725	-	-	8,517
343	Current Portion of Long-term Debt - Capital Projects	-	-	-	41,532
345	Other Current Liabilities	21,449	-	-	81,301
310	Total Current Liabilities	125,475	-	-	140,461
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	726,689
357	Accrued Pension and OPEB Liabilities	1,073,988	-	-	291,122
350	Total Non-Current Liabilities	1,073,988	-	-	1,017,811
300	Total Liabilities	1,199,463	-	-	1,158,272
400	Deferred Inflows of Resources	95,085	-	-	18,814
508.1	Net investment in capital assets	2,202,577	-	15,306	350,304
512.1	Unrestricted Net Position	(383,202)	-	74,369	(174,969)
513	Total Equity/Net Position	1,819,375	-	89,675	175,335
600	Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position	\$ 3,113,923	\$ -	\$ 89,675	\$ 1,352,421

	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	Total
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	147	19,794
	-	-	-	-	-	-	54,228
	-	-	268	-	-	10,849	24,654
	-	-	-	-	-	-	34,242
	-	-	-	-	-	-	41,532
	-	-	64,904	4,134	-	140,131	311,919
	-	-	65,172	4,134	-	151,127	486,369
	-	-	-	-	-	-	726,689
	-	-	282,107	-	-	478,528	2,125,745
	-	-	282,107	-	-	478,528	2,852,434
	-	-	347,279	4,134	-	629,655	3,338,803
	-	-	39,703	-	-	69,391	222,993
	-	-	-	-	-	-	2,568,187
	-	-	(105,081)	(4,134)	5,940	152,612	(434,465)
	-	-	(105,081)	(4,134)	5,940	152,612	2,133,722
\$	-	\$ -	\$ 281,901	\$ -	\$ 5,940	\$ 851,658	\$ 5,695,518

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
TRUTH OR CONSEQUENCES HOUSING AUTHORITY - A COMPONENT UNIT OF THE CITY
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2019

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	\$ 243,371	\$ -	\$ 20,040	\$ -
70400	Tenant Revenue - Other	581	-	-	123,494
70500	Total Tenant Revenue	243,952	-	20,040	123,494
70600	HUD PHA Operating Grants	218,139	48,278	-	74,424
70610	Capital Grants	-	133,194	-	-
70800	Other Governmental Grants	-	-	-	-
71100	Investment Income - Unrestricted	4,587	-	-	274
71500	Other Revenue	12,153	-	215	3,975
71600	Gain or Loss on Sale of Capital Assets	530	-	-	-
70000	Total Revenue	479,361	181,472	20,255	202,167
91100	Administrative Salaries	42,500	-	-	14,746
91200	Auditing Fees	16,316	-	-	5,934
91310	Book-keeping Fee	2,286	-	893	-
91400	Advertising and Marketing	3,417	-	-	354
91500	Employee Benefit Contributions - Administrative	23,369	-	6	7,714
91600	Office Expenses	32,424	-	-	4,883
91700	Legal Expense	2,266	-	-	234
91800	Travel	4,231	-	-	-
91900	Other Operating - Administrative	9,610	-	542	31,629
91000	Total Operating - Administrative	136,419	-	1,441	65,494
92100	Tenant Services - Salaries	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	20,105	-	-	-
92500	Total Tenant Services	20,105	-	-	-
93100	Water	12,347	-	555	6,987
93200	Electricity	53,328	-	-	7,014
93300	Gas	4,356	-	693	3,063
93600	Sewer	10,573	-	-	10,394
93800	Other Utilities Expense	-	-	989	7,532
93000	Total Utilities	80,604	-	2,237	34,990

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	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,411
-	-	-	-	-	-	124,075
-	-	-	-	-	-	387,486
127,004	-	910,596	77,418	-	-	1,455,859
-	-	-	-	-	-	133,194
-	105,185	-	-	-	-	105,185
-	-	1,451	-	9	2,263	8,584
-	-	7,698	-	-	173,550	197,591
-	-	-	-	-	-	530
127,004	105,185	919,745	77,418	9	175,813	2,288,429
-	-	11,460	11,764	-	65,497	145,967
-	-	7,416	-	-	-	29,666
-	-	4,214	-	-	1,248	8,641
-	-	-	-	-	-	3,771
-	-	11,610	-	-	47,159	89,858
-	-	9,834	-	-	4,335	51,476
-	-	-	-	-	-	2,500
-	-	425	-	-	-	4,656
-	-	6,828	-	-	-	48,609
-	-	51,787	11,764	-	118,239	385,144
-	-	-	-	-	-	-
-	-	-	-	-	-	20,105
-	-	-	-	-	-	20,105
-	-	-	-	-	-	19,889
-	-	-	-	-	-	60,342
-	-	-	-	-	-	8,112
-	-	-	-	-	-	20,967
-	-	-	-	-	-	8,521
-	-	-	-	-	-	117,831

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
TRUTH OR CONSEQUENCES HOUSING AUTHORITY - A COMPONENT UNIT OF THE CITY
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2019

Line Item	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
94100	Ordinary Maintenance & Operation - Labor	\$ 73,807	\$ -	\$ 94	\$ 38,565
94200	Ordinary Maintenance & Operation - Materials & Other	53,447	-	915	18,512
94300	Ordinary Maintenance & Operation Contracts	91,815	-	7,066	53,164
94500	Employee Benefit Contributions - Ordinary Maintenance	46,931	-	62	22,947
94000	Total Maintenance	266,000	-	8,137	133,188
96110	Property Insurance	25,526	-	-	6,455
96130	Workmen's Compensation	-	-	-	-
96140	All Other Insurance	-	-	-	-
96100	Total Insurance Premiums	25,526	-	-	6,455
96200	Other General Expenses	105,185	-	-	3,863
96400	Bad Debt - Tenant Rents	2,873	-	-	769
96000	Total Other General	108,058	-	-	4,632
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	75,472
96700	Total Interest Expense and Amortization Cost	-	-	-	75,472
96900	Total Operating Expenses	636,712	-	11,815	320,231
97000	Excess Operating Revenue Over Operating Expenses	(157,351)	181,472	8,440	(118,064)
97300	Housing Assistance Payments	-	-	-	-
97400	Depreciation Expense	87,657	-	2,457	66,207
90000	Total Expenses	724,369	-	14,272	386,438
10010	Operating Transfers In	153,463	-	-	127,004
10020	Operating Transfers Out	-	(48,278)	-	-
10100	Total Other Financing Sources (Uses)	153,463	(48,278)	-	127,004

	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	Total					
\$	-	\$	-	\$	-	\$	-	\$	-	\$	112,466	
	-		-		-		-		-		72,874	
	-		-		-		-		-		152,045	
	-		-		-		-		-		69,940	
	-		-		-		-		-		407,325	
	-		-		-		-		-		31,981	
	-		-		-		-		-		-	
	-		1,934		-		-		-		1,934	
	-		1,934		-		-		-		33,915	
	-		10,828		-		-		-		119,876	
	-		-		-		-		-		3,642	
	-		10,828		-		-		-		123,518	
	-		-		-		-		-		75,472	
	-		-		-		-		-		75,472	
	-		64,549		11,764		-		118,239		1,163,310	
	127,004		105,185		855,196		65,654		9		57,574	1,125,119
	-		-		879,273		66,144		-		-	945,417
	-		-		1,586		-		-		-	157,907
	-		-		945,408		77,908		-		118,239	2,266,634
	-		-		-		-		-		-	280,467
	(127,004)		(105,185)		-		-		-		-	(280,467)
	(127,004)		(105,185)		-		-		-		-	-

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
TRUTH OR CONSEQUENCES HOUSING AUTHORITY - A COMPONENT UNIT OF THE CITY
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2019

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	\$ (91,545)	\$ 133,194	\$ 5,983	\$ (57,267)
11030	Beginning Equity	1,778,614	-	83,692	232,602
11040-10	Correction of Equity classification	(888)	-	-	-
11040-20	Equity Transfers	133,194	(133,194)	-	-
	Ending Equity (deficit)	\$ 1,819,375	\$ -	\$ 89,675	\$ 175,335
11190	Unit Months Available	1,200	-	12	636
11210	Number of Unit Months Leased	1,096	-	12	530
11270	Excess Cash	\$ 458,561	\$ -	\$ -	\$ -
11620	Building Purchases	\$ 133,194	\$ -	\$ -	\$ -

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	Total
\$ -	\$ -	\$ (25,663)	\$ (490)	\$ 9	\$ 57,574	\$ 21,795
-	-	(79,418)	(3,644)	5,931	95,038	2,112,815
-	-	-	-	-	-	(888)
-	-	-	-	-	-	-
\$ -	\$ -	\$ (105,081)	\$ (4,134)	\$ 5,940	\$ 152,612	\$ 2,133,722
-	-	2,040	240	-	-	4,128
-	-	2,034	240	-	-	3,912
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 458,561
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,194

INDEPENDENT AUDITORS' 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 Brian S. Colón, Esq.
New Mexico State Auditor

City Commission
City of Truth or Consequences

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, 2019, 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 13, 2019.

Our report includes a reference to other auditors who audited the financial statements of the Housing Authority, as described in our report on City of Truth or Consequences financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as item 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of findings and responses as items 2017-004, 2018-002, 2019-001, 2019-003, NM 2018-001 (Housing Authority-Component Unit), and FA 2019-001 (Housing Authority-Component Unit).

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 13, 2019

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

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 we noted the following:

- During our testing of cash receipts from the Golf Course, it was noted that Golf Course deposits are not being made timely.
- During our testing of cash receipts, we could not confirm cash and checks were properly deposited within 24 hours for 3 out of 25 days tested.

The City has purchased a cash register for the golf course and now have z tapes along with hand written reconciliations. The city has made 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 requirements.

MANAGEMENT RESPONSE: While Management acknowledges that this condition did exist during the fiscal year, the City has made significant progress to address these findings. The City took over the Golf Course from a contracted vendor in January 2019 and purchased a cash register in February 2019 for the Golf Course. Daily recap sheets are submitted to Accounts Receivable with cash register tape to provide proper documentation and reconciliation. A new timeline has been established to have all deposits turned in to the Accounts Receivable Office by 9:00am every day. Management will ensure that deposits are made within 24 hours and will provide periodical audits of the daily receipts and deposits. Management has provided training to all employees who handle cash. Management firmly believes that the condition as stated does not exist at the present time.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: City Manager and Finance Director

TIMELINE FOR CORRECTIVE ACTION: January 2020

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

2019-001 CONTROLS SURROUNDING PAYROLL DISBURSEMENTS (Finding that does not rise to the level of a significant deficiency)

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

- Two out of 25 employees tested did not have a properly approved Personnel Action Form (PAF) on file.
- One out of 25 employees tested did not have a properly certified Federal Form I-9.

CRITERIA: Per the City's finance policies and procedures the City is required to complete a personnel action form to document hourly pay rates and changes. The form is required to be reviewed and approved before the adjusted rate is effective. A complete and accurate Form I-9 is required for all new hires.

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

CAUSE: Lack of training of employee's processing payroll, and/or lax oversight of pay rate change and new hire process.

RECOMMENDATION: We recommend retraining and re-emphasizing the requirement that all employees must have a properly certified Federal form I-9 and approved personnel action form on file and all pay rate changes require an updated personnel action form.

MANAGEMENT RESPONSE: Management will ensure that a written process and a check list is in place for all new hires and payroll changes. The Human Resources and Payroll staff will be trained on the proper procedures and handling of documentation. Management will re-emphasize the importance of following processes and procedures.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: City Manager and Finance Director

TIMELINE FOR CORRECTIVE ACTION: January 2020

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

2019-002 UNTIMELY PAYMENT OF FEDERAL WITHHOLDINGS (Significant Deficiency)

CONDITION: During our payroll transaction testwork and analysis we noted the City incurred a penalty and interest charge totaling \$72,690 associated with the untimely payment of federal withholdings.

CRITERIA: Per Internal Revenue Service (IRS) Publication 15, Circular E Employer’s Tax Guide, employers must deposit social security, Medicare, and withheld income taxes either monthly or semiweekly. In addition, good accounting and internal control practices require that all disbursements must originate with authorizing document and be supported by properly approved documents. According to NMSA 1978 Section 6-6-3, the City is expected to conform to the rules and regulations that they have adopted relating to internal controls.

EFFECT: Failure to properly pay the IRS obligation on time makes the City susceptible to more penalties, and creates opportunities for waste, fraud, and abuse.

CAUSE: The City did not properly review payroll to verify that the payroll process is being followed and completed, and that IRS obligations were paid timely.

RECOMMENDATION: The City should design internal controls, which should include management review, to verify that all federal tax payments are made properly on time.

MANAGEMENT RESPONSE: Management does not dispute this finding. The City has experienced turn over in the Payroll position and is working on creating an internal control process, written procedures, and a checklist to ensure that all payments are made in a timely and accurate manner. The process will include checks and balances between payroll and management or his or her designee. Management is also communicating with the Internal Revenue Service to negotiate a reduction or removal of the penalties and interest.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: City Manager and Finance Director

TIMELINE FOR CORRECTIVE ACTION: January 2020

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

**SECTION III – 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 test work over Retiree Health Care (RHC) contributions, we noted the City incorrectly reported wages for 5 out of 26 pay periods resulting in an underpayment of \$126.

The city has not made progress on this finding.

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 underpayment of the retirement contribution liability to RHC. Additionally, employee retirement accounts are misstated and/or incorrect.

CAUSE: The city did not properly include all wages when calculating contribution requirements.

RECOMMENDATION: We 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: The City has experienced turn over in the Payroll position and is working on creating an internal control process, written procedures, and a system of checks and balances to ensure that all payments are calculated and reported accurately. The process will include checks and balances between payroll and management or his or her designee.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: City Manager and Finance Director

TIMELINE FOR CORRECTIVE ACTION: January 2020

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

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

2019-003 PERA REMITTANCES AND CONTRIBUTIONS (Other Noncompliance)

CONDITION: During our compliance testwork over PERA contributions we noted the following:

- the City used the incorrect pay rate for an employee for 1 of 26 pay periods resulting in an under payment of \$399.08
- the City used the incorrect contribution calculations for 3 of 26 pay periods resulting in an underpayment of \$227.81

CRITERIA: Per the Public Employees Retirement Act, 10-11-1 to 10-11-142 NMSA 1978, the City is required to report 100% of payroll to PERA. PERA membership is mandatory, unless membership is specifically excluded pursuant to section 10-11-3.B NMSA 1978. In addition, the PERA contribution rates are set by state statute and the city is required to contribute at a minimum this amount.

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

CAUSE: An employee was promoted their increased rate and pay was not reported to PERA. The city was unable to determine why the incorrect contribution calculations were used.

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

MANAGEMENT RESPONSE: The City has experienced turn over in the Payroll position and is working on creating an internal control process, written procedures, and a system of checks and balances to ensure that all payments are calculated and reported accurately and that pay rates are accurately recorded. The process will include checks and balances between payroll and management or his or her designee.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: City Manager and Finance Director

TIMELINE FOR CORRECTIVE ACTION: January 2020

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

SECTION IV – 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 different from the amounts allowed by state statute in the following amounts:

- In four out of ten items tested, the rates used resulted in payments for per diem and partial per diem which were overpayments of \$63.50
- In one out of ten items tested, the rates used resulted in payments for per diem and partial per diem which were under payments of \$44.00

STATUS OF PRIOR YEAR FINDING: The Authority has made progress to clear this finding, as all transactions tested which occurred after the Authority updated their per diem rates were properly calculated.

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 incorrect amounts of per diem and partial day per diem.

CAUSE: The Authority's policy and form had calculated per diem at amounts that do not match the Per Diem and Mileage Act. These rates were updated during Fiscal year 2019.

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: TCHA updated the Travel and Per Diem worksheet in consultation with the IPA firm. The TCHA Senior Finance Manager will review New Mexico Administrative code periodically to ensure our policy is up to date on any future changes.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

C. FEDERAL AWARD FINDINGS

**FA 2019-001 – Internal Controls over Program Income – Rural Rental Loan Program
(Significant Deficiency)**

Federal Program Information:

Funding Agency: U.S. Department of Agriculture
Title: Rural Rental Housing Loans
CFDA Numbers: 10.415
Award Year: 2018-2019

CONDITION: The Authority's controls over program income were not operating effectively. For 1 out of 8 items tested, the 'Rent Clarification Record' was not retained in the tenant file to document the review of the tenant's rent calculation.

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 the program income compliance requirement of the program. The Authority cannot effectively manage its federal program with controls that do not operate effectively.

CAUSE: The Authority did not retain the 'Rent Clarification Record' to document the review of the tenant's rent calculation.

RECOMMENDATION: We recommend that 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.

MANAGEMENT RESPONSE: Rural Development program management has undergone staffing changes. The TCHA Executive Director, will ensure that new staff receive specialized training within the next six (6) months or sooner as classes become available through industry providers. Other program specific and ancillary education will also be scheduled as classes are available. Current files are in process of review for appropriate documentation. Periodic file review will be scheduled to maintain quality control and compliance.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

SECTION V - STATUS OF PRIOR YEAR FINDINGS

Description	Status
<u>Financial Statement Findings</u>	
2017-001 Controls over Cash Disbursements (finding that does not rise to the level of a significant deficiency)	Resolved
2017-004 Controls over Cash Receipts (finding that does not rise to the level of a significant deficiency)	Repeated/Modified
2018-001 Controls Surrounding Bulk Fuel (finding that does not rise to the level of a significant deficiency)	Resolved
2017-005 Cash Management (Other Noncompliance)	Resolved
2018-002 Retiree Health Care Remittance and Recording (Other Noncompliance)	Repeated/Modified
2018-003 Procurement Code (Other Noncompliance)	Resolved
<u>Component Unit Findings</u>	
FA 2017-01 Internal Controls over Eligibility and Special Tests and Provisions – Housing Voucher Cluster (Significant Deficiency)	Resolved
NM 2018-001 Travel and Per Diem (Other Noncompliance)	Repeated

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
EXIT CONFERENCE
Year Ended June 30, 2019**

The contents of this report were discussed in the exit conference held on December 13, 2019, with the following in attendance:

Representing the City of Truth or Consequences:

Sandy Whitehead	Mayor
Morris Madrid	City Manager
Carol Kirkpatrick	Finance Director

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.